Victor Clark.

Economics of the Hour

By

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To

THE WORKING MOTHERS

OF ENGLAND

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TO THE WORKING MOTHERS OF ENGLAND

Carlyle told the world that there were two men "and none other" whom he honoured and revered—the labourer and the scholar. Though I share that homage, there is one whom I must put higher, and for whom my reverence is fuller, deeper, and better deserved—the working mother.

There is none nobler than She. We glory, and rightly, in the soldier's courage, but beside that of the mothers and wives of those who labour, even it grows pale.

These fight their fiercest battles unaided. They are alone on an outpost duty that never ceases. Their own greatness of heart is their only force in support, the only reserves on which they can rely. But they have to be their own officer, as well as their own second line. In their homes, which is their workshop as it is their life, they have to prepare and to foresee, to encourage and to inspire, to heal and to defend.

But, alas! too often there is none to do for them what they do so naturally, so inevitably, for others. We men are more apt to demand comfort of body and of soul than to bestow it.

The isolation of the inner life of the working mother, coupled with its solitary, physical turmoil, makes her

outlook very different from that of those whom she so deeply influences. She does not, like the greater part of mankind, pass her time acting in association with others, or under them, or over them. When her children are at school she is often as lonely as a shepherd on the Downs. She has the opportunity of leisure, the time to think. Manual toil does not stop thinking, as does directing and controlling, obeying, depending, and waiting on the man to the left and to the right, before and behind, in the chain of action.

The working mother learns in her busy solitude to think things out. That is why she is often much better worth talking to than those who are nominally her superiors in education, in apparent brain power, and in the social scale, whether men or women.

The working mother has time to invite her soul, and in the process gains the gift of self-discipline.

Those are fortunate who have been able to see into the mind of a working mother who has learned to know herself. Her love for her husband and her children has been her strength and her illumination in sickness and in sorrow, in anxiety and in disappointment, in the wounds of the heart, and in the hunger of the soul. Here she has found the secret of life. Hers is wisdom, independence, and strength. Hers is the heritage of all who see existence not through the creeping mists of error, but clearly and as it is.

It is because of this power to see that the English

working mother proves herself so shrewd a social and political philosopher, and above all so sound an economist. Her mind has been strengthened by thought, not made sodden by the perpetual drip of rhetorical shibboleths or conventional invectives, such as those with which politicians great and small bemuse themselves.

But though we may find in the mind of the working mother the soundest principles of Individualism, let none think that I suffer from the foolish delusion that the working mother is going to make her man take a line opposed to his Party or his Union, or that there is any room for "the tactics of division." She will stand by her husband right or wrong, and who will fail to honour her for that loyalty of heart. In peaceful times she may tell him what she thinks of tactical strikes and Trades Union politics; but when the bugles have sounded the attack she is with him body and soul. She will fight to the last for his cause—the cause that the conflict has made hers also.

In truth she is never nobler or more to be respected than when she is "false to her reason, to wedlock true." She scorns to claim the rights of the conscientious objector in such a quarrel. She glories in being able to make yet one more sacrifice to her home—the shrine in which she is both the priest and the worshipper.

There is little chance that any working mother will ever look upon these pages. Yet if by some strange accident one of this silent Grand Army of the Common-

wealth were to do so, and could have patience to learn the language in which man is forced to expound the science of exchange, I make bold to say that she would find herself in very general agreement with what I have written. My defence of Individualism, Independence and Freedom, and my plea for the preservation of character as the worker's greatest asset, would, I think not displease her.

That I should awaken a ready sympathy in the last of these particulars I am assured by a special experience. A labouring friend was out of work. I did a little to help him with his rent. Next day my donation, or rather loan was returned in full by his wife—the last of her own savings, I believe—accompanied by a letter which contained the best lesson in the spirit of Chalmers and of the C.O.S. which I have ever read. With great vivacity, yet with perfect courtesy, she told me that the one thing that her husband had to rely on was his sense of independence. If that were to go he and the whole family were lost. Therefore she could not let him take my help. He liked me and respected me, but if he was to be taught to lean on me my influence for good was over and gone. He was tired and depressed, unhappy, and for the time hopeless, and he would easily give up looking for the one thing that would cure him—work. Therefore she adjured me by my friendship not to let him suffer from what she had spent her life in avoiding and preventing—the loss of independence. She put it far

better and more shortly and poignantly than I have, but that was her meaning. I had not a word to say in excuse for myself, but much in admiration for her.

The sequel sounds almost too good to be true. A fortnight after she wrote to tell me her husband had got a job and was already much better. Yet his chances of work had seemed not worth computing. The time of this little Economic Drama was December of last year.

I have a word more to say as to my book, and I will ask leave to say it here, though it is addressed not to the workers' wives, but to my readers. I am afraid that this book may seem cold, inhuman, and without the passion of sympathy. Yet nothing in truth is further from my mood than to parade a frozen prejudice. If I have not shown more sympathy, it is for the reason that the surgeons, often the most pitiful of men, dare not show that emotion. It might interfere with their dexterity of hand and eye. You cannot analyse and expound and argue with clearness if you give way to tears, whether of the soul or the eyes. Besides, pity has something of patronage, and who am I that I should dare patronise my brother workers, for such they are? I do not claim any right to lecture my "mates" from a pulpit. Only as a freeman among freemen, I crave a hearing and ask to be allowed to state my case as strongly as I can without cant or cunning

My desire for plain speaking, the need for compression, and, above all, the duty to bestow careful

argument on themes of such vital import as those I have chosen, have, no doubt, made my pages seem hard and even unfeeling. But let not those who suffer in person from the working of the present system, or again those true knight errants of the soul who know not how to endure the thought of woes they cannot cure, think me therefore indifferent, insensitive, or careless.

It is just because the matters with which I have had to deal scientifically involve emotions deep and terrible that I have had to take refuge in a studied reticence.

The greatest truths demand the greatest care in their presentment, and I am not going to let my page be wet and blurred even with tears for human suffering. I would rather earn falsely an evil name for callousness than be confused and irresolute in my diagnosis.

Perhaps I am saying too much in saying this in a Dedication, but as I passed the final pages of my book, I could not altogether repress the sense that I was a man as well as a Political Economist. I longed, if only for a moment, to show what I feel—for a moment to give my heart its rights. But though I say this, let no one think that I believe that I have been wrong in my severity of treatment, or that I am one of those people who believe that human society is to be saved or maintained in a fit of hysterical lamentation. It can only be saved, and the lot of the worker and of the community as a whole made better by facing the perils of the hour with clear eyes and untrembling knees. A sobbing, snuffling guide

makes but a poor leader across a crevice-strewn glacier in a blinding snowstorm.

But I came to lay my wreath of laurel at the feet of the working mothers of England, not to defend myself.

It is the thought of the working mothers of England that should quiet us, and give us hope, while we are climbing the glacier pass in the dark and longing for a dawn, which, though we know will come, seems so strangely and so long delayed.

J. ST. LOE STRACHEY.

I desire to express my thanks to Messrs. Macmillan and Co. for allowing me to publish in this volume extracts from several chapters in two books dealing with economic subjects written by me and published by them—*Industrial and Social Life and the Empire* and *The Problems and Perils of Socialism.*

J. St. L. S.

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PART I

COMMONSENSE IN ECONOMICS

Economics of the Hour

I

THE CAUSE OF VALUE

Political Economy or Economics is the science of exchange. Though the tree may be very complicated at the top, with an enormous number of interlacing branches, it has only one stem, and that stem consists in the true and just definition of value, or rather exchange value.

People are apt to use "value" as though it were the same as "usefulness." Exchange value means not only usefulness, but the quality of being exchangeable—the quality which makes people willing to give something in exchange for an object. If men would only keep a clear understanding in their minds of what exchange value is, and how it arises, they would find economics very greatly simplified, and we should see very many paradoxes and false theories now flourishing wither away. It is often asserted that exchange value belongs to a material object merely because it has had labour expended on it,

and we are even assured that labour is the sole cause of value, and therefore of wealth. It is, indeed, on the assertion that the sole cause of value is labour that the whole of modern Socialism was built up by Marx. Though some of the modern Socialists declare that they do not hold with the Marxian definition of value in this absolute form, they in fact still base their theories upon it. A moment's thought will show how untrue is this definition.

Suppose you take a hard and ugly block of stone and hire two or three men to carve it and bore holes through it in various ways. Next, suppose that these men hew it and hack it so much that it ceases to have any strength as a block of stone, while at the same time, as might easily be the case, acquiring no artistic beauty whatever. Some £20 or £30 worth of labour might have been put into the stone, and yet it would have no exchange value whatever, but might very well be worthless. Clearly here labour would not have been the source of value.

Again, it is not possible to say that a thing has exchange value merely because it has utility—because, that is, people want it. Sea-water has utility, for it can be made into salt, and it is therefore in demand. Yet on the shore, where any amount of it can be obtained, sea-water has no exchange value.

What is wanted to give exchange value to an article is the presence of two things—demand and

the limitation of supply, or, in other words, demand and a certain difficulty of attainment. These two requisites are like the two poles in electricity. When they are brought together, but only then, the electric spark of exchange value is produced. Test this rule in any case you like, and you will find that it is always true. There is always a demand for drinking-water among human beings. But it has no exchange value unless there is a limitation in the supply—that is, scarcity. Men will pay nothing for water if they are living on the shores of a lake, and can get it with perfect ease. When, however, they are away from the shores of the lake, and the water *has to be brought to them in pipes, i.e.* when it has become difficult of attainment—it has an exchange value, and men will give other things for it. The same may be said of fresh air. Here one readily sees that demand alone—everybody demands air and water—does not give exchange value. In the same way, limitation of supply—mere scarcity—will not by itself give exchange value. There are a certain number, though a very small number, of pebbles on the seashore of an ounce in weight—in other words, there is a limitation of supply in the matter of pebbles of an ounce in weight. Since, however, there is no demand for them, their difficulty of attainment alone does not give them value. Suppose, however, that pebbles weighing an ounce each

were urgently needed in considerable quantities, for some purpose or other. Then at once such pebbles would have an exchange value, because the two things would have come together—demand and difficulty of attainment.

Perhaps the clearest way to put the matter is this. Demand is the first essential for value, because unless somebody wants a thing nobody is going to offer anything in exchange for it. The next essential is that it shall be difficult of attainment, because, again, nobody is going to give anything in exchange for something which, owing to the fact that there is no difficulty of attainment, he can get for himself for nothing.

But value varies very greatly in degree according to the proportion between demand and supply. The price, that is, is constantly changing. Here the old rhyme will help us:

> The real worth of anything
> Is just as much as it will bring.

You cannot get beyond that piece of ancient wisdom as to the determination of value. The degree of value or price of a particular object can only be ascertained by finding out what people will give for it. Their conduct here is governed by *the proportion between demand and supply*. This simple theory of value will be found a sure guide through

the labyrinth of political economy. Any theory propounded by an economist, no matter how distinguished, which contradicts these plain facts as to exchange value, is unquestionably wrong. One of these two elements which, as we see, determine value, *i.e.* difficulty of attainment, which stated industrially is simply cost of production, has lately been stressed at the expense of the other element, *i.e.* demand. But demand is in truth the essential *prerequisite* of value—the *causa causans* of value, as the old philosophers would have expressed it. *Hence has come the disastrous policy of limiting supply in order to endow an object with value.*

Humanity has prayed for plenty since the beginning of recorded time. Yet everywhere schemes are to be found for the limitation of supply, and therefore for the negation of plenty. We work for abundance with one hand, and strive for scarcity with the other. Why is this? How has a situation so mad arisen. Because mankind has adopted a theory of value imperfect, or at any rate imperfectly presented, and therefore misleading. So disastrous, indeed, has been this misunderstanding that it is quite possible that the social philosopher of the future may say that this imperfection of statement was the greatest source of human disaster and misery and the greatest impediment to material and economic progress in our epoch. Owing to a wrong

emphasis on one of the terms in the theory of value, mankind was led upon a false scent.

The accepted view since the days of Jevons is that value depends entirely upon utility—not, however, on abstract usefulness, but on final utility. As we have seen, divested of technical terms, this does not differ materially from saying that value attaches to any exchangeable object owing to the presence of two conditions, a positive and a negative: demand and the limitation of supply. The ratio between the demand and the supply makes the variation of high or low in price, but the two things that must be present to give value are demand and the limitation of supply.

Such is the theory of value, sound in itself, on which mankind has built up its practice, as well as its economic ideas. Yet in this statement, apparently so innocent, lies concealed a deceitful spirit ready to whisper in man's ear that the quick way to increase the price of any article is to limit supply —*i.e.* to increase scarcity. It tells him to get wealth out of dearth.

Pestilence and hunger may have slain their thousands, but in very truth this misunderstanding has slain its tens of thousands. It is the tragedy of economics. Yet the abstract statement is correct. All that was wanted to make it adequate was to put the emphasis on the one term, the positive, and

to insist that without demand there is no value, that limitation of supply alone can never give value. In six words—*Value is the Daughter of Demand.* The moment a thing is demanded it has value. On the other hand, that which no man wants, however strange and rare, or even useful if men would only use it, has no value. That is the teaching of all human experience. That is the fact.

The reason why it is necessary to concern ourselves with what is the essential origin of value, the *causa causans,* can be seen by the way in which the plain man has taken up the theory of value as usually stated, and worked it to his own injury. In effect the individual has said: "I have got something to sell or to exchange—*i.e.* my labour—and I want, of course, to get the best possible price for that thing. Economic science tells me that there are two things which will raise prices—demand and the limitation of supply. Now demand is a thing which it is very difficult for me to affect. It is usually out of my reach or control. Clearly, then, if I want to get my price increased, the best thing is to work the other oracle, and to limit the supply—*i.e.* to prevent myself being undersold. If the thing I have got to sell is confined to narrow limits, I shall do well. If the market is flooded, I shall do badly. Limitation of supply thus becomes the economic ideal for me, and for the group of people who are my

colleagues and are working with me. My interests tell me to concentrate upon that. When there are two levers I must work the lever within my reach."

But while perverted reasoning and the tyranny of a syllogism based on false premises make one voice in man shout for limitation of supply, the other voice is shouting for plenty and low prices. But like an owner who is running two horses in a race, mankind must in the end declare which horse he means to win with. And here he is sorely puzzled, and sometimes says one thing and sometimes another. What is the reconciling word? Which is to prevail for the welfare of the world, the interests of man the consumer or those of man the producer.

If Bastiat had finished *L'Harmonie Economique*, that noble work of which only the torso exists, it is quite possible that he would have revealed with his exquisite clarity, the truth, the whole truth, and nothing but the truth in regard to economics. As it is, he only approached it, hinted at it, and died. Yet he told us in effect that if a choice must be made, man must lean to the benign extreme. He must choose that which makes for the good of all—abundance—rather than that which benefits, or appears to benefit, the individual—scarcity.

Another way of showing this truth is to point to the fact that, even granted that an increase of value in the things he sells is what man most desires, he

must put his money upon demand and not upon limitation of supply. And for this plain reason. Limitation of supply, though to begin with and for a time it raises prices, in the end kills them. It carries within itself the seeds of its own destruction. As prices rise, demand is checked and limited. So though you may be temporarily raising prices, what you are building up with one hand you are pulling down with the other. *You are killing the essential cause of value.* You are sawing off the bough upon which you are sitting.

If, however, man puts his money upon demand, and elects to be on the side of abundance and the consumer, this does not happen. As demand rises the price will rise. But if there is no artificial interference with supply, the supply tends at once to expand also. Man's unconquerable mind either finds new ways of meeting the demand or finds a substitute for the thing in demand. The supply spreads, and instead of a shrinking we have growth and expansion. Demand is now seen to have a double power and a double function. It not only attaches value to its object and stimulates price, but it carries within itself a creative power—the power of calling forth fresh supplies as it goes along. As its magic wand waves over land and sea, supply starts up to meet it.

No doubt in science it is dangerous to use such

words as "good" or "bad," "beneficent" or "unbeneficent," but, at any rate, it may be said without danger of paradox or sophism, that a movement towards that which all men instinctively desire—abundance, material expansion, production, creation, life—is a beneficent movement, the movement which is best for mankind.

The fact that demand is the horse upon which the man who wants to create wealth must put his money is recognised in the clearest way in modern commerce. Note the enormous part which the selling or marketing of an object plays in its cost. The price which you pay for a safety razor is not merely what it costs to produce the razor, but includes the cost of selling it—*i.e.* advertising it and putting it on the market. But, to complete this analysis, all that "the cost of selling" means is that men have realised that if they want to get the best price for a thing they must create a demand for it. Merely producing a thing, or even producing it cheaply, is no good unless demand is set going. Therefore when manufacturers have produced their article they, or their partners the sellers, must, by every sort of cunning device, get at the consumer and teach him, nay, almost force him, to demand it. When they have set demand going by whispering or shouting in mankind's ear, they have attached value to their article. They have "done the trick." They have

got something which will sell because it is something, whether good or bad *per se*, that is wanted, *i.e.* is in demand. That is the simple secret of advertising and of its success. It creates a demand for the thing advertised, and so attaches value to it —makes it exchangeable for money or goods.

If only mankind would remember that primarily demand, and not limitation of supply, is that which attaches value to things, and that abundance is what man wants and never scarcity, what an element of tragedy would be eliminated from human life!

II

ECONOMIC APHORISMS

I.—The Nature of Wealth

Wealth consists of everything which has the quality of exchangeability.

By increasing exchanges we increase wealth.

By diminishing exchanges, through forbidding or impeding them, we diminish wealth.

Those whose aim it is to increase the nation's wealth will therefore never forbid or interfere with exchanges.

But there are things more important than wealth for a nation.

Therefore it is possible that the demand to interfere with or forbid, and thus diminish, exchanges may be a sound policy, even though it diminishes exchanges and so involves economic waste.

What is certain is that to interfere with or forbid exchanges, not on moral grounds, but on the plea

that to do so will increase the wealth of a nation, must *always* be fallacious.

Every demand for interference with exchanges must therefore be rejected if it is made on the ground that it will increase wealth. Only if the demand is made on moral or social grounds can it be entertained. Then it must be judged on its merits.

II.—The Home Market

The importance of the home market must be admitted by all reasonable men.

Exchanges are likely to be more easy and rapid, and therefore more numerous, between a body of persons living in one community, bound by the same laws and bound also by the tie of patriotism.

A statesman's object should therefore be to encourage the home market.

But the home market can never be encouraged by preventing imports into this country, for all imports are physical orders for goods to be made here in exchange for imports.

Any system under which we sent out goods but did not receive goods back would be a veritable bleeding to death.

We want to see importers bringing their goods into this country, for that is the only way in which we

can make sure of foreign orders for the home market, orders which will keep our workmen at work.

This is only another way of saying that protection does not protect. What it does with one hand it undoes with the other.

III.—The Foundations of Free Exchange

There are only two ways in which a nation can obtain a particular product of human skill and energy:

(1) By making it itself.

(2) By making some other thing to exchange for it.

Which of these two courses the nation will adopt is settled by the line of least economic resistance. If the nation for physical reasons can make the thing cheaper itself, it will acquire it in that way. If for physical reasons it can make an exchangeable object cheaper, it will obtain the desired product in that way.

Practical experiments will prove what is the line of least economic resistance. The notion that the State can determine this by law better than the individual by practice is absurd.

The attempt on the part of the State to dictate whether a nation shall make the desired products for itself or make something to exchange for them is sure to involve economic waste.

Once again, economic waste may be justified on moral grounds, but never on the ground that it is increasing the wealth of the community.

IV.—Taxation

The object of taxation should be the raising of revenue.

We ought therefore to tax men because they are rich, not because they own a particular form of property. We must never forget that men, not things, pay taxes.

A material thing, such as a piece of land, a picture, a bottle of medicine, a cigar, a pound of tea, or a motor car, cannot pay taxes.

A material thing has no pocket, no banking account, no cheque book, which will enable it to pay a tax. It takes a man to pay a tax.

When we say we tax a piece of land, a picture, a bottle of medicine, a cigar, a pound of tea, or a motor car, we merely mean that we choose to make the possession, or the use, or the purchase of these things the measure by which we assess the amount which a man shall contribute to the revenue.

We can, that is, if we like, measure the amount of the taxes a man has to pay by the number of pictures by Turner which he owns, or by his height, or weight,

or by whether he wears a hard hat or a soft hat. But as these are bad or imperfect measures of wealth they are necessarily bad measures of the amount of taxation which a man ought to pay.

It may be true that most rich men smoke cigars or own pictures or motor cars, but there are also rich men who do not own these things and poor men who do own them.

Therefore the assessment by this means can never be sound.

The only sure way of taxing a man effectively and justly is to tax him in proportion to the amount of his wealth.

There are two ways of measuring a man's wealth —either by computing his total capital, *i.e.* wealth of all kinds, or by computing his total annual income, *i.e.* the return on his capital.

It is best to measure his power of paying taxes by the amount of his annual income, as it is possible to know exactly that amount.

Income values itself. What a man has received into his pocket or bank in a given year is an ascertainable fact.

In order to estimate a man's total capital, *i.e.* total possessions, you must guess at the amount, for

it is an amount which neither he nor anybody else can estimate exactly.

His stocks and shares, his land and his pictures, will fetch one sum in one quarter of the year, and a totally different sum in another quarter, according to the variations of the market.

Therefore, while the income a man has received in a given year is ascertainable, the amount of his total capital possessions at a particular time is not ascertainable, but only *guessable*. It is better and fairer to tax on a certainty than on a guess.

No doubt by making a man's income, rather than a guess at his total capital, the measure of his riches, and so of his capacity to pay taxes, a few rich men may escape some of their proportionate burden. As a rule, however, a man's income varies directly with his total capital riches, and so with his taxable capacity. Therefore a higher income-tax is a fairer and better way of reaching the rich man than an income-tax plus a tax on total capital arrived at by a guess or series of guesses.

V.—Socialism and Free Exchange

The essential difference between those who desire a socialistic basis for society rather than a basis of free exchange is to be found in the question of incentive.

Man will not work without an incentive.

If the State owns the land and all the sources of wealth, and maintains its citizens by a subsistence allowance, the main and rudimentary incentive to work is compulsion by the State.

Under a system of free exchange the main and rudimentary incentive is a man's power to choose how he will lay out the rewards of his labour.

A community which desires to be well fed, well housed, well clothed, and to have general well-being must then decide whether compulsion by the State or free exchange and free choice is more likely to increase the product out of which material well-being is created.

The world's experience of slave labour, forced labour, prison labour, pauper labour, and relief works —all forms of labour in which compulsion is the incentive relied on to make man produce—is that the product goes down to almost nothing. Slave labour and convict labour are notoriously dear and inefficient. The slave only works under the fear of the lash, and it is impossible to keep that fear always before him. Free choice, on the other hand, produces the maximum of product. Therefore, if our object is the production of wealth, *i.e.* of material things, we must choose free exchange and free choice rather than compulsion as our incentive.

VI.—The Wages of Capital

Capital is mobilised wealth.

The wages or hire of capital will be greater or less, according to the proportion between the demand made for capital and the supply in the market.

The more capital there is accumulated the cheaper it will be, *i.e.* the less will be its wages.

On the other hand, as capital grows cheaper the demand for it is sure to grow greater, and thus, as in all other cases of price, a corrective is supplied to a fall in the wages of capital.

Experience shows, however, that under normal conditions capital increases more rapidly than does the demand for it, and that therefore the wages of capital, *i.e.* the interest at which it is lent, tend to decrease, while the wages of labour tend to increase.

As the wages of capital go down the prices of the things produced tend to decrease, and therefore the purchasing power of money tends to increase.

The greater the amount of capital, therefore, the higher will be *effective* wages of labour.

VII.—Rising Prices

When the supply of anything is short, *i.e.* when the demand increases and the supply is stationary or grows less, a rise in prices must take place.

Such a rise in prices is the easiest way of settling who is to have the thing in demand.

A rise in price is also the most effective way of advertising to the world that there is a shortage of supply, and that it is very much worth somebody's while to seek out or to produce more of the thing demanded.

A rise in price is, in fact, the effective way of stimulating and securing an increased supply.

It is sometimes urged on the moral side that this economic phenomenon is objectionable and cruel. It puts, it is urged, the poor at the mercy of the rich.

That may be true sometimes, but can any better system be devised for determining who is to have the thing demanded, when there is not enough to go round?

One plan is to let the strong man seize it by the strength of his right arm.

But who can say that this secures possession to the man who needs the thing most? For that is clearly the final result to be wished for.

Another plan is for the State to distribute the thing in demand at its will and pleasure.

But who can say that this will secure that the thing in demand shall fall into the right hands?

It is far more likely to secure that it shall fall into the hands of the friends or relations of the officials charged with the distribution, or into the hands of those who flatter and bribe them.

In any case the rise in prices is a trumpet call to the world to produce more, and produce it quickly.

The fact that the thing demanded had fallen to the strong, or to the persons designated by the Government of the State as the proper persons to have it, would have no such provocative effect, *i.e.* it would not stimulate and secure an increased supply.

Neither seizure by the strong nor distribution by the Government can make people keen to produce. Neither offers, like a rise in price, a premium on production.

A rise in prices is indeed in the body politic and economic what pain is in the body natural—a danger signal. It keeps men restless and alert, and will not permit peace and slumber till they have tried to find out first the cause of the pain and then the way to get rid of it. If prices did not rise with a shortage we might some fine day wake up to find the world had eaten its last loaf.

PART II

THE PARTNERS OF INDUSTRY

I

THE DREAD OF A PROFIT

I

When a hundred years hence the philosophic historian looks back on "The Period of Reconstruction," he will declare that of all the forms of temporary madness which possessed the British people during the restlessness and *malaise* that followed the Great War, none was more perverse and none more injurious than the dread of a profit which took them by the throat in the years 1919–1921. If he is an honest recorder and knows his facts, he will have to state that in the period in question a great part of the community became entirely bemused with fallacies and half-truths. Instead of putting all their energies into producing the things needful for civilization, and repairing a ruined world, they used up the best part of those energies in trying to prevent each other from making a profit. Each citizen individually and in his own heart knew that man always wants an inducement to work hard, a carrot in front of his nose, a stimulus to his imagination, a something

upon which he can build not merely day-dreams, but flesh-and-blood activities—wants, in fact, a profit or the hope of a profit. Yet in their corporate capacity and in the aggregate Englishmen solemnly averred, and appeared to believe, that the essential thing was to abolish carrots, to destroy hope, and to take away the stimulus which makes the ablest and cleverest part of mankind spend laborious hours, rise early and work late, in order to find out better processes, to make new inventions, and so to organise old plans and old schemes that they will bring forth thirtyfold, sixtyfold, or even a hundredfold. They stopped enterprise, or that which produces enterprise —*i.e.* profit—like a suspected person. They plastered the Gates of Adventure and Speculative Endeavour with notices of "No Thoroughfare," and "Trespassers will be Prosecuted." They shouted aloud, "Keep off the Grass!" "Beware of the Dog!" They agreed, in short, to abolish profit—the force that makes the industrial world go round, the antidote for the pains of the daily treadmill of life, and for the industrial sleeping-sickness which makes the victim chant: "It was my father's custom, and so it shall be mine."

Though temporarily and superficially ready to be blown about by every wind of false economic doctrine, Englishmen are wise at bottom. They always in the end free themselves from the emasculating

food of paradox. They will soon begin to see profit in its true light. They will recognise it as part of the essential mechanism of economic existence, something which, though it may, like all pieces of machinery, occasionally break down, or occasionally by its bad operation do damage where it ought to be doing good, is yet the *sine qua non* of that social configuration which all men in reality desire: a world in which *la carrière ouverte aux talents* prevails—a free field for all abilities.

But these are generalities. What must be done is to draw certain practical and positive conclusions from principles which are admittedly sound. Oh for the demagogue's power of sugaring the pill, or, rather, of feathering the arrow so that it will go home and pierce even to unwilling ears! Once more, and this time in truth and not in craft, there is a Brutus who longs to be an Antony.

"Don't get in a rage because Moses the unworthy or the Jones obscure, is making profits which the Yellow Press, itself a capital example of 'Profiteering,' though of legitimate 'Profiteering,' thunders against every morning and every evening." The one question here for the plain man in the street is: "Is Moses or Jones by his action increasing the price of things for you, or is the reverse the case and is he making them cheaper?" If he is making them cheaper or keeping them from rising, what matters

it to you how big his profits are? If he is helping you to get what you want, you will be a fool to worry as to whether in the process he is also feathering his own nest. If he is taking something away from you, of course it is otherwise. But if you cannot have his profit, or if his profit when taken and divided amongst your million fellow-workers would give you only 2½d., surely you will be a fool to drive yourself mad merely because he is heaping up riches.

> If his wealth don't injure me
> What care I how rich he be?

Here is the real problem for the ordinary citizen. He must refuse to be intimidated by a mere word like "profit," or to allow it to be made a bogy to frighten him into doing something stupid. In effect it is no consolation for him to be told that, though his scheme of life is poor and dull, his toil heavy and arduous, at least no other man is making himself rich. Again, when he thinks how a new invention or a better system of organisation would yield a much larger product, and so give him and his fellows a better life, it is not much comfort for him to be told that by refusing to co-operate in such improvements or even to allow them to be made, he will at any rate prevent somebody else from becoming rich. Surely he will be left cold, when he is asked to forgo a

modicum of extra comfort for himself, since such self-sacrifice, even if somewhat painful, will certainly hinder the growth of profit, and will ensure that carrots shall be eradicated from the industrial field!

Take a specific story to illustrate to what the dread of a profit may lead. After the Australian Governments took over the railways, there was a question of improving the service of trains in the immediate vicinity of one of the great cities. There was a local demand to have more trains stopped at the station and better running and so forth in a suburban, or what might easily have become a suburban, area. The Socialists of the day opposed the improvement of the train service on the ground that it would enormously enhance the value of the land through which the trains ran. Why, they said, should the train service be improved, and so give an enormous unearned profit to the landowners? Why should they be made rich by the action of the State? The view prevailed for a time and the train service was not improved, though the actual cost to the Railway Department would have been little or nothing. Now look at the result. This dread of a profit in the abstract, this refusal to believe that A.'s gain would be B.'s gain also, actually deprived an enormous number of people of health and happiness and of all the subsidiary benefits which always follow an

increased railway service. It hit the small builder, the small workman, and the small shopkeeper, and generally checked trade and industry. For fear that one or two people should make a so-called unearned profit, a great number of people were deprived of a free field for their abilities!

At the bottom this dread of a profit, if analysed closely, is a belief like that which reigns among nations in regard to trade exchanges. Just as people persist in imagining that an exchange is a "deal" in which one man is bound to be "bested," and another benefited, so people cling to the idea that A.'s profit must be B.'s loss. They cannot conceive, though it is an almost absolute truth, that when A. makes an industrial profit he is in the end making it for others as well as himself, and that, be his nature as grasping and as wicked as you will, he cannot prevent the process by which wealth is always spreading downwards and finding its own level. Wealth, in truth, is like water. It is a very difficult job to hold it up, for that "wild and wandering thing," as the old lawyers called water, is always in movement and seeking the ocean from which it came.

Just as exchanges when their nature is understood are seen to be a mutual benefit and not a mitigated swindle, or, as Bastiat put it with exquisite clearness, not a conflict with profit for one and loss for the other, but a "union of forces," so profit-making in a

fair field and where there is no privilege or monopoly, is a form of co-operation. Indeed, the "Profiteer" of the comic paper might with truth be called "*The Co-operator malgré lui.*"

This will be a hard saying for those who take their economic and philosophic ideas from the popular Press. Yet it can very easily be shown to be true by recalling the history of the cheap journals. In old days the cheapest daily newspapers cost a penny. At that time of cheap living and low wages, it seemed, however, and indeed was, more than a working man could pay for his daily instruction. Then there came Alfred Harmsworth and did what we must all acknowledge was a great public service. He saw that by very careful organisation, and by basing his action on the principle of very small profits over an enormous number of units and very quick returns obtained through skilful and efficient planning, he could sell a readable and efficient paper, and sell it at a profit for a halfpenny. He accordingly produced the *Daily Mail*, and gave men the opportunity to read the latest news every day for half what they had usually been paying before. Now granted that newspapers are, as it is reasonable to believe, of enormous benefit to mankind, and in fact a necessity for civilisation, surely here was a great public benefit. But Harmsworth while conferring an enormous benefit on a million men made a great fortune for

himself. He had the boldness to see that by taking the very tiniest of profits for himself on each copy of his paper, and then multiplying that tiny profit first by a million, and then by three hundred and thirteen, he could make a commercial success of a halfpenny paper without even counting the advertisements.

That was satisfactory to him; but would not the million working men have been fools to say: "We care nothing about that. It takes away all our satisfaction, all our interests, and robs us of all our enjoyment in the halfpenny paper to know that a man who is no better than we are, and who does not even work with his hands, is making £200,000 a year, or whatever is the exact amount, by the exploitation of his idea. Why should he have that huge profit? Down with him and it! If you tell us that we shall be deprived of our paper, we say, "Nonsense!" We can, of course, by co-operation produce just as good a paper as he can, and therefore he is the fifth wheel to the coach, a parasite, an industrial blood-sucker, and there is and ought to be no place for him. He may be a good employer, and always ready to give into Trade Union demands, but what does that matter? He is a "Profiteer," and there's an end of it!" The answer to that is of course that till the so-called "Profiteer" came along and organised the industry there was no competent halfpenny London morning daily paper.

The true way and the sensible way of looking at the matter is very different. What the workers ought to have said, and in effect did say silently in their hearts, was something of this kind: "It is well worth our while in order to get a readable halfpenny paper to make a tiny payment each day to this energetic and daring man. It is true that by doing so we may see him roll up a great fortune for himself, but what does that matter to us if he is giving us something which we could not have got without him? We should be fools to go without our halfpenny paper simply because we couldn't bear the idea of his making a profit out of it. After all, it was because there was a chance of making this great profit that at last we got somebody to do the trick. Without the temptation of a great profit we might have waited till Doomsday for an enterprising low-priced daily. There was a splendid great apple hanging at the top of the bough, but no one of us could get it down. He sat up at night thinking out a plan, and then risked his neck in getting it down; but of course it was on the understanding that if it did come down he was to have a big slice out of it, and the rest was to be divided up into small lots. However, better a piece of apple got at this price than none at all!"

Take another example. The railway magnate such as will be found in America by scores, who by his organisation and combination of lines makes a rail

system which does a vast service not only to the travelling public but also to the traders by popularising transport, adds to the amenities of life in a million homes. He makes a huge profit, no doubt. But imagine that all the men who used the lines for themselves and for their goods, and all the people who consumed the goods got together in some vast assembly. Next, suppose it had been put to them: "In order to secure the benefits of this line are you willing each of you to contribute one-tenth of a cent per annum to the personal profit of Mr. James B. Valley, or would you prefer to go without these improved railway facilities rather than run the risk of his making a fortune in which you would have no direct share?" Who can doubt what their answer would have been?

II

It is upon the fact just set forth, *i.e.* that the great profits in modern industries are made up of tiny individual contributions, that profit-sharing, so excellent and attractive *per se*, has so often come to grief. After the sums which must be paid for the hire of capital, and for securing the best form of management and so on, have been allotted, the money which goes to the final recipient of profits, or the "Profiteer" as we now call him, is often, though large in the aggregate, so small when it is divided among the people

who morally ought to have a share in it, that profit-sharing becomes a derision. Perhaps it will be said: "But this would be better than nothing." Yes, as long as it lasted; but remember that in abolishing profit you would have destroyed initiative and knocked out the lynch-pin of industry. You could do it once no doubt, but in the next generation who is going to run the risk of a commercial speculation if he knows that it is "Heads I lose, tails you win"? "If my speculation comes to grief I am of course 'done in' in any case. If it succeeds I am to be stripped naked, if not actually hanged from a lamp-post as a 'Profiteer.' No, thank you. I prefer a comfortable berth and a good salary in the Anti-Profiteering Branch of the Board of Trade." So argues the man tempted to show enterprise in the development of new industries.

There are plenty of ways of showing how the "Profiteer," even if he makes a very "cushy" job for himself, is already kept in good economic order by our political system. The tax-gatherer does pretty well annually on the profits the "Profiteer" has heaped up, and does even better at his death. Again, it must be admitted that in the problem of profits, as in all other human things, nothing absolute can be affirmed. Though the mass of profit-making is not only innocuous but positively beneficial to the world at large, in special circumstances there may be, and

often no doubt are, *illegitimate* profits or profits illegitimately large, such as those, for instance, that are made by a trust or ring which can limit supply, and these in times like the present may very possibly require to be checked. Even the best things, and speaking generally profit-making is one of them, demand sometimes the temporary application of the brake and the drag.

What must be realised is that on the whole profit-making is the power that makes the commercial wheel go round, and that the present attitude towards profits is one which if it is not kept well in restraint is likely to ruin commerce and industry. It will destroy those economic developments whence alone can come that democratisation which one could wish to see prevail in the industrial as in the political world. If only things are left alone, small profits and quick returns over a vast area will be the order of the day, and by no means an unbeneficent one. If this is prevented, as likely as not there will be a return to the old industrial system of small profits and small wages, the age of the usurer rather than of the popular bank, of minor monopolists and the narrow industry rather than free competition with its open field for every type of human ability.

Much space would be needed to explore the whole economic region concerned with profits, and the effects upon industry of attempting to limit them by

other means than the natural and wholesome method of introducing fresh competition or of cheapening the hire of capital, which cheapening always comes, and must come, from increased accumulations of capital. However, a few words are necessary upon a subject which is too often neglected—namely, the way in which the hope of a profit has literally showered benefits upon the community, while it has often resulted in no profit at all for the would-be "Profiteer," but a dead loss. This fact is hardly ever mentioned, and yet the country can everywhere show improvements of all kinds made in the unsuccessful hope of a profit. It is not too much to say that the greater part of our marshlands have been drained, our fields fenced, our arable land made cultivable, our meadowlands improved, and our farm-buildings erected in the vain hope of a profit. No doubt certain fortunate men have made a good deal from agricultural improvement—*e.g.* from stubbing "Thornaby Waste," etc. It is possible that Coke of Norfolk, for instance, made money by his improved agriculture and his invention of the rectangular sheep. On the other hand, there were thousands of improving landlords, who, following his example, drained, cleared, and fenced wild and unproductive lands in the hope of making a profit, but who would have done far better if they had put their money out to usance. But these unsuccessful landowners, though they did nothing economically

for themselves, did undoubtedly greatly benefit the nation. Certainly some of the landowners who undertook such improvements in the past were intentional benefactors, but the greater number of them were unquestionably moved to do what they did by the consideration that if things went well, as they hoped, they or their heirs would be enriched. They played, in fact, for high stakes; but had they known that if they won, the high stakes would certainly be taken from them, that would have been quite enough to freeze their genial expectations.

Again, the hope of a profit immensely facilitated the *growth of our great cities* and the system of putting only a moderate number of people upon an urban acre. The hope of a profit led landlords in London and in many watering-places and commercial towns to speculate in houses, or to stimulate speculation by making roads and letting their land out on easy terms. We are told of people who made vast profits because some watering-place grew up upon a piece of sandy cliff-top, but we did not hear, because it is nobody's interest or business to draw attention to them, of the miles and miles of expensive roadway which have been laid down all along our coasts in the hope of attracting people to build, and which have led to no "development." Many of these roads, after waiting in vain for purchasers, have had to be written off as dead losses.

But perhaps the best and most striking example of the public benefits conferred by the hope of a profit, though it proved illusory, is that afforded by the original investors in the London Tubes. There can be no doubt whatever that nothing has benefited London as a whole more than the Tubes. They provide quick, safe, healthy, and comfortable travelling, and, perhaps most important of all, they keep down the congestion of vehicles in the streets. Yet the enterprising people who originally put their money into them in the very natural and reasonable hope that they would eventually get a large profit have not realised their ambition. What has materialised has been the public benefit. The private profit for the original speculators has proved entirely illusory.

If profits are not interfered with, no doubt in the future as in the past many people will repeat this beneficial process, and in speculating for a profit which they will not obtain will confer a public benefit. And as a result there will be great public improvements, which no government would dare to attempt, and to which indeed the general public has economically no right; and this simply because the capitalist is a sporting person, and often prefers when money is cheap to run a good deal of risk in investing his money to getting only a low rate of interest. But if profits are confiscated when they are what the non-

capitalist thinks "unduly large," there will be very few imitators of the sporting habit in this country. People who want to speculate will prefer to put their money abroad to keeping it here.

It is unfortunately useless to tell the capitalist that he ought to be ashamed of being such a coward, and that no sane person wants to deprive him of all profit, but only of his profits when they get inordinately large. It is the nature of anybody engaged in speculation to magnify not only the possibility of gain but also the possibility of loss. The man who thinks that there is great risk of confiscation if he does well and a certainty of bankruptcy if he does ill, and if he strikes the middle position only such a rate of interest to be obtained as he could get in the public funds, would be almost certain to leave his money in the sweet security of the 4½ per cents. Look at it how you will, by confiscating large profits, or even by threatening profits, you create an atmosphere in which trade is deprived of the stimulus of enterprise.

Instead of saying: "Take care what you are doing. If you make a big profit you will be an enemy to society, and we shall rightly deprive you of that profit," it is in the true interests of the State to approach the hesitating capitalist with some such cheerful words as these: "Don't stand vacillating. Have a run for your money. Take up some big

public improvement and carry it through. If you make a loss upon it, you will at any rate have the satisfaction of knowing that you have done a public service, whereas if, as we hope and believe will be the case, you make a profit, it may be enormously large. Go in and win, and remember that the 'dear public' stands to gain anyway."

This sounds a very beneficent, kind-hearted attitude for the State to assume, but in these days it is not perhaps quite so unselfish as it appears. For after all, if the man does make a great profit, say 20 per cent. on the money he puts into the enterprise, the State which encourages him has the secret satisfaction of knowing that it will get something like 10 per cent. for itself every year, and a very large slice of the speculator's enhanced capital when he comes to die, and finally will very possibly get the whole of it by the time his grandson has succeeded. "Thou shalt not muzzle the ox when he treadeth out the corn" was, like so many other Jewish maxims, not only a very humane but a very practicable and reasonable one.

II

MEN AND MACHINES

The great industries of the nation must always remain the same. To name them one has only to think of the chief needs of human beings. Man must always have food, clothing, fire, and houses; therefore the chief industries will be those that supply these wants. That is, first of all, agriculture—tilling the land to make it produce food. Next, the weaving and spinning of cloth, either from wool or cotton or other materials, to form clothes. Next, the production of fuel for cooking and warming. Next to that, the building of houses.

The industries just named cannot be properly carried on without all sorts of tools, and to make these tools iron and other metals are required. Getting metals, then, out of the earth must always be one of the greatest of industries. Another very great industry, though it does not actually produce anything new, is the industry of transport—that is, the industry of those who, either in ships, or trains, or in cars, vans, and lorries, move goods and people from one place to another. In all these industries hun-

dreds of things which fifty years ago were done by hand are now done by machinery. Still more important is the fact that the machines have been so greatly improved that they often do ten times the work they did, and do it better. Again, it must be remembered that machinery has been so much simplified that, in many cases, a man can now mind three or four machines where once he could mind only one. In all the great industries machinery has taken the place of hand-labour, and what is more, is almost automatic. It might have been supposed that this would have inflicted a great injury on the working classes, and that the use of machinery would have driven them from employment.

This was indeed the feeling with which our fathers and grandfathers regarded the introduction of machinery. When they saw a machine brought into use which, with one man to tend it, would do the work of twenty men, at, say, the cost of the labour of five, they concluded that in the future nineteen men would be thrown permanently out of work, and that this process would go on throughout the country till the only men employed in the work of manufacture would be a few tenders of steam spinners and weavers. Yet, as a matter of fact, the very opposite has happened. There are more, not less, men employed in manufacturing than formerly; and the great increase in the use of labour-saving

machinery which has marked the last fifty years has made the demand for labour grow even faster than the population. More machinery instead of employing fewer men employs more men.

How does it happen that this has been the result of labour-saving machinery? The answer is simpler than it looks at first sight. If a thousand yards of cloth are wanted and no more, and if twenty men were at one time required to produce them, then it is clear that the introduction of a machine which does the work of twenty men when tended by one must throw nineteen men out of employment. As a matter of fact, however, it is never true that a fixed quantity of anything and no more is wanted. Only a thousand yards of cloth may be wanted while cloth is at a certain price, but directly that price is greatly reduced, hundreds more yards are wanted. The world will always want as much of the chief things of life as can possibly be produced by the people who live in it.

When, then, a labour-saving machine is produced, what happens is this. The cloth, or whatever it may be, becomes cheaper, and more is taken and used than before, and so more is needed to be manufactured. Soon, then, we get twenty machines at work turning out cloth with twenty men to tend them. Our nineteen men are thus back at work again, though in a different way.

Sometimes, however, the process is not quite so simple as this; and not all, but only a part of the men displaced by the improved machinery find new work in connection with the new system of manufacture. When say only ten men get re-employed owing to the demand for more cotton, it may for a time seem as if the other nine were sure to be injured. Yet this is seldom really the case. The reason is this. If by introducing machinery you cheapen the cost of making cloth, and so sell cloth cheaper, the people who used to spend £1 a year on cloth in the future have only to spend 16s. to get the same amount. But this means they have each year 4s., or say a penny a week over to spend on other things.

Some part of this 4s. they perhaps spend on more cloth, but the rest they will spend on other things, such as boots, linen, and hats. But spending more on boots, linen, and hats means that more of these things have to be made, and the making of more of these things means that more men are employed. In other words, the shillings set free by cheaper cloth go at once to give more employment in other trades.

It may be difficult to trace these nimble sixpences and shillings, but it is a true statement that the use of *labour-saving machinery never injures the workman, but on the contrary improves his condition.* Since the yearly increase of machinery began the number of persons employed in manufacture has grown enor-

mously greater instead of decreasing, and has increased not merely in numbers, but *in proportion to the population.*

Perhaps, however, it will be said, How about cases in which the machinery that displaces the men does not create any saving, and produces not cheaper cloth, but cloth exactly at the same price? In that case the nineteen men who are thrown out of work will be able to get no other work either in the cloth trade or elsewhere, for there will be no increased demand on the part of the public. The answer is, that such cases do not occur in practice. No manufacturer goes to the risk, expense, and worry of putting in new machinery unless he can see his way to a decrease in the cost of production. If the new machinery will not enable him to produce more cheaply than he did before, he will not, take the trade as a whole, care to introduce it.

Save, then, in a few exceptional cases, and during the time necessary for things to settle down to the changed conditions, the introduction of labour-saving machinery invariably does good to the workers and to the country as a whole. It increases the wealth in the community, and so makes more to go round. *Nothing that does this can be of harm to the nation.* There never was, in truth, a more absurd statement than that of the poet who talked of the land

> Where wealth accumulates and men decay.

The land where wealth accumulates is the land where men do not decay. The land where they decay is the land where wealth is squandered and wasted, and not accumulated to assist in making provision for the future, or to keep those who are engaged in useful and necessary work, but not immediately capable of yielding things needful for human existence. Take, for example, the building of a great railway. It takes, say, seven years to build, and during that time yields nothing; but after those seven years it may be an untold blessing to humanity. But if wealth had not been accumulated it could never have been built. We should, then, never forget that whatever increases the wealth of the nation is a benefit to the nation, and especially to those who are poor. On the other hand, whatever wastes the wealth of the nation is an injury to the nation, and ought to be put an end to as quickly as possible.

III

"TO STRIKE OR NOT TO STRIKE . . ."

It is clear that the ordinary workman gains a great many material advantages by belonging to a Trade Union. If he uses his Union in a proper spirit he may, in addition, gain a great many moral advantages. In the first place, membership in a Union teaches him the great lesson of working with other men, and of subordinating self-interest to the interests of the community. This is the lesson we all need to learn in regard to our country, which is, after all, but a greater Union. The artisan in his lodge sees that, if men are to live and work together without confusion and disorder, they must act according to fixed laws, that they must be patient and helpful, and that they must always keep before them as their supreme and final aim the general good. But this, only on a larger scale, is exactly the attitude of the true patriot.

Again, the obedience enforced in regard to the rules of the Union teaches the members the necessity for obeying the laws. Very valuable also is the knowledge that if the obligations in regard to the payment

of the weekly subscription to the Union are not fulfilled, *i.e.* if the member breaks his contract with the rest of the members and gets into arrears, he will have to leave the Union, and will be forced to go without the various benefits he would otherwise have enjoyed. It shows him the necessity of standing by his agreements, and the punishment which rightly falls on those who do not keep their contracts. In this way the Trade Unions may act as schools, in which the members can learn how to do their duty as good citizens, and to accept that discipline without which the desire to do one's duty and to be a good citizen is useless.

But Trade Unions, like all other human institutions and like men themselves, have elements of evil in them as well as elements of good. And, just as in men, if these evil elements are not recognised and fought against, they may master the good elements and make the whole tendency of the Union bad instead of beneficial. The first and worst of these evil tendencies is that towards tyranny and force. When a man feels very strongly the wisdom or necessity of a certain step, and when he considers that his own interests will be damaged by his fellows not taking that step, he is very apt to try to force them to take it, and to overcome any unwillingness by oppression and violence. But this is as true of a thousand men acting together as of one.

Hence Trade Unions are sometimes tempted to use violent means for getting what they desire. For example, they naturally wish to get all the workmen in a trade to join the Union, and they occasionally press the non-Union workmen to join them in a way which is unfair and tyrannical. When they do this they commit a great moral wrong. Every man, as long as he obeys the law, has a right to choose what voluntary obligations he will undertake—to choose, that is, whether he will or not belong to a Trade Union. To force him to join by threats of violence or by intimidation in any other form is a criminal act, and one which is not only punished by the Courts of Justice, but condemned by all wise men. It must not be supposed, however, that all or any large portion of the Trade Unionists favour acts of coercion in order to make men join their societies.

The true Trade Unionist is entirely opposed to any such methods. In the same way, there is a danger that in the excitement of a strike the Unionist may be tempted to use violence to prevent persons who do not choose to strike from remaining at work. Acts of coercion of this sort are, no doubt, always disavowed by the leaders of the Unions, and usually quite sincerely, but the ordinary members of the Unions when on strike are, it is to be feared, often led away into violence. No one, of course, has any right to object to their trying peaceful persuasion in

the true sense on the non-strikers. It is when they overstep this line that they are to be condemned. Every man, then, who joins a Trade Union should make up his mind that, however great the temptation, he will refuse to help in any attempt either to force unwilling men into the Union, or to employ violent and oppressive means to prevent non-strikers from remaining at work when the Union men are on strike.

Trade Unions are frequently in danger of being led into acts which are both injurious to their members and to the country as a whole in their management of strikes. A strike or a lock-out is the stopping of work in a particular trade, or at a particular manufactory, because the workmen and those who employ them cannot agree as to wages or hours of labour. Strikes can be no more condemned in the abstract than any other effort of men to get the best price they can for their labour. They are either wise or foolish according to the circumstances. No one says that an actor is wrong because he refuses the terms of the manager at a particular theatre, but waits till a better salary is offered him. It may be the very wisest thing he can do. So no one has a right to blame a body of workmen who ask for a certain wage, and believing that they can get it refuse to take less.

What is unwise is not a strike, but a strike entered upon without due consideration. Hence there rests

upon the Trade Union leaders a very great responsibility in the matter of ordering strikes. They are quite right, nay, it is their duty to their fellow-workmen, to get as good pay and as short hours as possible, but in doing so they must be careful not to kill the goose that lays the golden eggs. It is all very well to get higher wages, but it is no good to get wages which are higher than the employer can afford to pay, and which, if insisted upon, will ruin his works and cause them to be shut up. Those, then, who order strikes must consider not merely whether they have the actual power to make the manufacturer either grant higher wages or accept ruin, but must consider whether the employer or manufacturer can afford to pay more in wages.

Whether the manufacturer can afford to pay more wages depends upon a variety of circumstances. If the money paid to labour is increased the loss to the manufacturer must be made up in one of three ways. The amount paid to capital must be decreased, or else the price charged for the things manufactured must be increased, or else by the use of newer and better machinery, or by more careful superintendence and economy, the same number of men must be made to produce more. That is, in the case, say, of a boot factory if the men are to get higher wages, and the factory is to go on, (1) the profits must be reduced and less must be paid for the capital required in the

business; or (2) the price of boots must be increased; or (3) the way of working must be so much improved that the boots will not cost more to make than they did before in spite of the fact that the men who make them are better paid.

Unless the employer can in one of these three ways make good the loss he suffers by an increase in wages, he will have to close his factory. He will not care, and indeed will not be able except perhaps for a comparatively short time and as a temporary measure, to keep his business going. Before, then, the leaders of the men take the grave step of striking for an increase of wages, they must consider whether it will be possible for the employers to do what they ask. It is worth while to notice more in detail the things which they have to consider under each of these heads.

In considering whether more money can be paid in wages by paying less to capital, the men must remember what capital is. Capital is simply wealth accumulated and applied to industry, *i.e.* savings. The man who buys a saw, and saws timber with it, is using capital to help labour. The man who builds a great factory and fills it with machinery is only doing the very same thing on a large scale. But capital, the necessary helper of labour, has its price just as labour has, and in the long run the price of capital, as of all other things, depends upon how

much there is of it to be hired or sold, and how many people there are who want to hire or to buy it.

We talk of paying 5 per cent. interest on capital: but this is only another way of saying that we hire capital, agreeing to pay rent for it at the rate of £5 a year for every £100 hired. But as every one knows, no one can start a factory of any kind without capital, which he either hires from himself or from some third person. Now the amount of hire or rent which a man wanting to set up, say, a boot factory, is willing to give for other people's capital, or at which he will invest his own, depends upon what can be got for capital elsewhere.

If people can get a rent of 5 per cent. elsewhere for their capital, they will not lend to him at 4; and he himself, if he can get 5 elsewhere, will not put money into the factory if he thinks that the profits will not rise about 4 per cent. It would be better in such a case not to start a factory, but to hire his money out elsewhere at 5 per cent. In the same way, if a man has his money already invested in a factory, and the factory pays him only, say 2½ per cent., while he can get 5 in other businesses, he will take the first opportunity he can find for shutting up his factory and taking out his capital. No doubt this is sometimes so difficult an operation that he will be unable to manage it, but we may depend upon it that if the capital in any business is

for long being paid below the market rate the business will not prosper.

To begin with, every year new capital is wanted for improved machinery, and for new processes, and for making good wear and tear and losses by accident. But if this new capital is not to be properly paid, it will not come into the business. But the workmen in any trade have a direct interest in attracting as much capital as possible into the trade. And for this reason. The more capital comes into the boot-making trade the more business is started. But the more businesses that are started, the more demand there is for the labour of the bootmakers. This is easy to see. If there are ten boot-manufacturing businesses in a town the demand for labour will be brisker and wages better than if there are only five, for the pay of labour is raised by competition among the employers.

Those, then, who are considering whether it will be wise to strike must ask the question—Is capital in the particular trade in which the strike is contemplated being paid more than capital elsewhere? If the answer is Yes, then on this ground it may be safe to strike for an amount of pay which will not bring what is paid to capital below the rent of capital elsewhere. If, however, the answer is No, and it can be shown that capital, under all the circumstances, is not getting more than its market price, then those

intending to strike must on this ground, at any rate, give up the idea of striking. To strike for higher wages if the increased cost is to come out of the payment made to capital when that payment is already only at, or perhaps below the market price, would be most foolish, and would end in driving capital out of the trade. But driving capital out of a trade is the very last thing which the men should want to do. It means driving away that which increases the price of labour.

If the men have come to the conclusion that an increase of wages cannot be got out of the money paid to capital, they must next consider whether it can be paid by an increase in the price of the manufactured article. Take the case of a boot factory, at which the boots have hitherto been sold at 10s. a pair. Will it be possible for the boot manufacturer to raise the price, say, to 15s., and pay the increase in his wages' bill out of the extra 5s.? The answer depends upon many things. Certainly he will not, if other factories go on selling the same class of boots at 10s. per pair. Suppose, however, that the rise in wages would affect all the English factories equally, and that, therefore, if the price of boots were raised it would affect all England. In that case the thing might be done, except for one or both of two things. In the first place, foreign boots might come in at 10s. per pair. In that case it would

be impossible for the price of English boots of the same quality to be raised. They would simply cease to be sold if their price were raised to 15s. The leaders of the men have, then, to consider what is the lowest price at which imported boots can be sold in England, and to remember that the price cannot be raised above that without killing the English boot trade. But even when this has been considered and settled there is yet another matter to be taken into account. Will the raising of the price of boots, even if kept below the price of the foreign boots, make people use fewer boots in the year, and so injure the manufacturers and cause less work for the workmen?

There is no doubt that a market rise in price at once causes a decreased demand, even in apparent necessaries. Say that boots doubled in price. At once people would buy fewer boots; fewer boots would be ordered to be made, and either the men in the boot factories would have to do less work a week and take less wages, or else a portion of them would have to be turned off altogether. But neither of these things would suit the workmen. Unless, then, there is little or no foreign competition in a trade, and unless also the increase in price is not large enough to matter much, it cannot be to the interests of the workmen to obtain a rise in wages by a rise in the price of the manufactured article.

In other words, the workmen must not rely upon the manufacturer being able to grant a demand for more wages by raising his prices unless they have looked very carefully into the question of foreign competition, and of the ability of the market to bear an increase of price.

In cases where an increase in wages can be obtained neither out of the profits given to capital nor out of an increase in the price of the manufactured article, it may still be obtained by increasing the efficiency of labour. Suppose the demand of the workmen in the boot factory would mean an extra £50,000 a year spent by the manufacturer; suppose, too, that at the same time it can be shown that either by introducing machinery, which will work quicker or use less coal, or by an increase in the working power of the individual labourer, owing to his being made stronger and more vigorous by the better conditions of life which come with better pay, or, again, by the stopping of some waste which has hitherto been overlooked, or by the use of less costly, but not less satisfactory material, or finally, by a combination of all these ways, £50,000 can be saved. Under those circumstances the manufacturer can grant the increase in wages without touching the remuneration of capital or the selling price. Can labour be made more efficient? is then a question for the Union leaders.

Lastly, Union leaders have to consider whether the money needed for more wages can be raised from all these sources—some from one and some from the others. Capital may be made to take a little less pay; prices may be raised a little, and the efficiency of the machinery and of labour—that is, the work done by each labourer—may be increased. The way just sketched is in fact the way in which the matter is considered and argued out by the leaders of a well-organised trade. As a rule, a well-thought-out and reasonable demand is not refused by the masters. They soon see that the increase if not given voluntarily can be wrung from them by a strike.

When, then, they do not in the long run yield to a demand for an increase in wages, it is pretty certain that they consider that it would not pay them to carry on business under the weight of a larger wages' bill. No doubt they are often wrong, for they are liable to be honestly mistaken in their calculations, just as are the officials of the Union, but as a rule, if a strike actually takes place it is a sign that the employer does not believe that he can find the money out of which to raise the men's wages.

A word must be said as to the effect of high wages on the efficiency of labour. It has often been noticed that higher wages have by themselves, and without any extra improvement in machinery or any new stoppage of waste, increased and so cheapened pro-

duction. The reason is simple. The badly paid man cannot afford to get enough food, to hire a good enough house, and to take enough rest to be in a condition to work up to his full powers. Hence to pay him better—that is, to give him more food, more rest, and a better and healthier house—is often as much to the interest of the employer as of the employed. Of course there is a limit to this.

A manufacturer who tried giving his men £20 a day would soon find himself a bankrupt. Till, however, enough wages are paid to enable an ordinarily sober and thrifty man to live well and happily, and to cultivate both mind and body properly, the manufacturer will not be able to obtain really efficient labour. Unfortunately, no strict rule can possibly be laid down as to what is enough wages to enable a man to do the greatest amount of work of which he is capable. This amount can only be roughly arrived at after many experiments and trials.

In the same way, short hours of labour have not infrequently proved quite as productive as long ones. A man has only so much work in him each day. This work can often be done as efficiently in eight or nine hours as in twelve. The object, then, is to find out what is the amount of time which the average man requires for performing his daily capacity for work. Beyond that it is useless to keep him at work. He will only be spreading thin what ought to be spread

thick, and either occupying the factory while another shift might be at work, or else keeping it open when it might be closed, and the various expenses which always continue while a factory is open are going on. It is, however, very difficult to find out what is the least amount of time in which a man can spend his daily store of labour. Obviously, it must differ very much in different trades. A man may be able to attend to a steam engine and keep it oiled for ten hours a day, while another who works in a smithy may be utterly exhausted in six hours.

The duty of the Trade Unions in regard to strikes is thus perfectly clear. It is their duty to obtain as high wages and as short hours as possible for their members, and they have a perfect right to use the power of striking to gain either or both of these objects. They must, however, always ask themselves before they order a strike, Will our demands, if agreed to, increase the cost of production as a whole? If they will, then the strike is unwise, and will in the end prove a failure. If they will not, owing to its being possible to induce capital to take less profits, or to render labour more efficient, or to increase the selling price, then the strike can succeed, and is not unwise.

No trade can thrive when the cost of production in the trade rises. But unless the trade thrives the labour attached to the trade will not thrive. Shall

we by striking increase the cost of production in the trade permanently and really, and not merely apparently and for the moment? That is the question which the Trade Union leaders must be always asking themselves. After all, the men are partners with the masters, and what they want is not to injure the trade, but merely to get a different division of the total profits. To increase, then, the cost of production and so to kill the demand first for the thing produced, and secondly for the labour of the producers, must in every case be an injury to the workmen who form the Trade Unions.

It is the object of a Trade Union not merely to raise the wages of the men at work at any particular time, but to find work for all the members of the Union. Hence, if a Trade Union forces wages so high that a good many factories have to stop altogether, they make it impossible for a good many workers to find work at all. But these out-of-works have to be supported by the Union. It is not therefore to the interest of the Union to raise wages beyond the point which can be borne by the whole body of manufacturers. When, however, from any cause there are a great many men out of work in a trade, the Union is sometimes tempted to try to get them work by suggesting that the factories shall work fewer hours.

Then, they argue, the unemployed will be able to

get work. "The manufacturers," they say, "will want to produce as many boots as before. If then, we, the existing workers, work less and turn out less, they will take on more hands and so bring in the out-of-works." This is sound enough unless the men at work expect the old rate of wages for less work. In that case they are asking for more wages —not perhaps for themselves, but more wages altogether.

Take an example. Suppose a factory in which one thousand men are employed, and in which each man produces at the rate of eight pairs of boots a week.[1] There are, however, many unemployed in the town, and the Union officials suggest shorter hours in order to help them. Accordingly the factory is to work six hours instead of eight. But if the output is to be maintained, this will mean that more than 333 extra men will have to be taken on—1333 men at six hours roughly equals 1000 men at eight hours. But suppose, also, that the bootmakers' wages during the time they worked for eight hours were £3 a week; then till the hours were reduced and the extra men were taken on, the weekly wages paid were £3000 a week. But in all probability this sum was all the

[1] These figures are not those of any existing factory, nor are they intended to be near those of an actual case, but are given merely for the purposes of argument which will work out plainest. They are simply intended as a model, and any one can fit on to the model the facts and figures of a factory that may be known to him.

manufacturer could afford to pay in wages in order to produce 8000 pairs of boots per week. If he could have afforded to give more the Union would have already compelled him to give more.

He will not, then, when he has to employ 1333 men instead of 1000 to turn out 8000 pairs of boots per week, be able to pay £3999 a week, or each of them £3 a week. Instead, he will have to say that he must reduce the weekly wages of his men to the point which will keep his weekly wages' bill for 8000 pairs of boots to £3000—that is, he will be able to pay the 1333 men who work for six hours a day only 45s. per week each. Shorter hours, in fine, when adopted to find work for the unemployed, and not because it is clear that as much or more can be done in them than in long ones, must mean shorter wages for those already employed.

The only apparent exception to this would be the case in which the wages previously paid were in reality too low, and capable of being raised. Then, of course, instead of a rise three or four hundred new men might be brought into the factory, the total wage increased, and the hours worked decreased without ruining the factory. Such exceptions are, however, so rare that they need not be very closely considered. As a general rule, working short hours to bring the unemployed in a trade into work must mean either lower wages or ruin to the trade.

No doubt, under certain circumstances, it might be a good thing for the country as a whole that there should be a reduction of hours and of wages in order to give more employment. In other words, the amount of money available for wages in a particular trade in respect of a particular amount of output should be distributed not among 1000 men, but among, say, 1333. The question depends mainly upon the amount of wages being earned by the employed at the time when the demand is made for shorter hours and shorter pay in order to admit the unemployed. If the employed are getting so large a wage that the necessary reduction will not bring the wage below what is sufficient for the worker to live healthily and happily, then the dilution of labour by bringing in the men out of work may be for the public good.

If, however, the reduction would bring those already in work below that standard, then it is not for the good of the country that the unemployed should be brought in. It would be far better that they should either take to some other form of work or emigrate, or be maintained by the State till they can do one or the other. Anything is better than that the majority of workers in a trade should work under conditions as to pay which will not allow them to make the best of themselves. That is certain to be an injury to the nation.

Two more dangers of Trade Unions deserve to be

noticed. One is to be found in the attempt to limit the number of members in a Union, and so to keep the privileges of the Union as a monopoly for a few privileged workers. The other is the endeavour to use the Trade Union organisation not for trade objects, but for some political purpose.

Every now and then the spectacle has been witnessed of Unions trying first to prevent any men going to work who are not Union men, and then endeavouring to keep down the numbers in the Union in order to keep the employment for themselves. These two acts constitute a system of gross tyranny and oppression, and should be denounced and condemned wherever they occur by all honest and fair-dealing men. They have never been sanctioned by the wisest advocates of Trade Unionism, and the most successful societies have always acted on the opposite policy to that of restricting the number of their members.

As has been said, Trade Union organisations have done a great and excellent work in educating their members in the matter of self-government, self-help, and self-respect. They may add to the benefits thus conferred by teaching the workers that capital and labour are partners in every trade, and that the work of production is not carried on by a conflict between them, but by co-operation. Both are necessary elements in all production on a large scale. Let

us look at the establishment of an industrial enterprise from both sides. The capitalist knows that he cannot produce unless he gets so many workers to act with him; but he cannot get these for nothing. He has, therefore, to consider what is the greatest amount he can afford to pay out of profits to secure these partners in the work of production.

Sometimes he can secure these partners at less than this maximum sum—in which case his own share of profits rises. Sometimes he can get them at this sum or something very near it. Sometimes, again, he cannot get them for the sum which he calculates to be the greatest amount that can be paid to labour. In that case he does not start his industry, for he sees that it could not pay. If we look at the matter from the workmen's point of view the process is in reality much the same. If they are to get work in a new industry they must meet with capital which will enter into partnership with them. But to induce capital to come into partnership they must give it such a share of the profits of production as will pay it at least as well as it is paid elsewhere—that is, they must hire capital at a price which will induce it to enter into the partnership; for capital is worthy of its hire, and cannot be had for whistling.

It is plain that both capital and labour are wanted to carry on the work of production—that both have a price, and that no offer below that price will make

either of them agree to co-operate. If capital tries to beat down the price of labour too low, labour will not work, and the partnership cannot be formed. Again, if labour tries to beat down the price of capital too low, capital will not be forthcoming, and the partnership cannot be formed.

But in partnerships it is never found wise to make either partner take only the bare share of profits to which he is entitled. The wise capitalist accords to labour such a share of profit as will make the labourer contented and efficient; and the wise workers see that it is to their advantage to let capital be well enough paid to be attracted to the particular trade. All this sounds simple enough, but unfortunately it is often not acted upon.

The workers, when they demand higher wages, are often not sufficiently careful to avoid frightening away capital. They sometimes argue that capital in a particular trade once embarked cannot run away, and so may be squeezed to any extent. "It is tied by the leg, and we can therefore make any terms we choose. It must put up with almost anything we like to do."

That would be all very well and true enough if a very important matter had not been forgotten. If when once an industry had been set going no more capital was wanted, the workers might be right to argue in this way. As a matter of fact, however, no

industry can flourish or even be maintained in efficiency unless there is a constant flow of new capital into it. Not only does machinery have to be constantly repaired and renewed, but a whole new plant has to be set up every ten or twelve years.

But who is going to find this new capital if, in the trade in question, labour has behaved toward capital as though it were a prisoner, and has given it the harshest treatment? Capital flows readily only into those trades in which it is treated well. But, as has been pointed out, a steady flow of capital into a trade means a flourishing trade. And a flourishing trade means brisk employment for the workers. Hence it is madness for the workers to think that because a certain amount of capital seems tied to a trade they can use it just as they like. They can do nothing of the kind. Unless they make their trade attractive it will languish and decay, and they with it.

The very same thing is true of the capitalists. If they try to drive too hard a bargain with the workers by arguing: "They are committed to this trade, and know no other, and are therefore tied by the leg; hence we can treat them as we like," they always injure themselves. If the workers in a particular trade are squeezed unfairly they soon degenerate. The best men leave the trade, and no new ones who are good workmen flow into it, and the consequence is that the labour in the trade soon becomes bad and

inefficient. It does not, and never can pay either capital to squeeze labour or labour to squeeze capital. Only when there is a fair partnership between them can trade flourish for the benefit of both.

IV

THE THIRD PARTNER IN INDUSTRY

Trade Unions are, *per se*, excellent things. Indeed, it is not too much to say that if they did not exist they would have to be invented in order to increase the power and dignity of manual labour. Though they cannot in the long run increase the remuneration of labour, for that is governed by external conditions outside their field of action, they can insist on proper considerations being paid to the reasonable wishes of Labour. They can preserve the dignity of the workers and can prevent tyranny by bad employers, or, still more, by their representatives and subordinates, over individuals. The real trouble about the Trade Unions is that of late they have had too much power, and like all other repositories of power not properly controlled, limited, and balanced, they have grown autocratic and oppressive.

Power too easily acquired and too easily maintained never fails to corrupt those who possess it. However good may be the intentions of the man with power he will, unless he was born a saint, be unable to resist the intoxication of absolute authority.

The immense power which the Trade Unions have possessed in the last twenty years and which, in several respects, they have used very badly, and with great detriment to their members, is due to the fact that they were the first of the partners in production to learn the lesson that organisation gives power in action. In an unorganised industrial world they were the first to become closely organised, and therefore they had the ball at their feet. At length, however, the employers, better servants of the public perhaps, but worse conservators of their own interests, have learnt the lesson, and have set up organisations counter to the Trade Unions, but enjoying all the privileges which the Trade Unions so arbitrarily and so unwisely, as they may ultimately find, wrung from Parliament in the Trades Disputes Act. It is a curious fact, but if the lessons of history are sought it will be found to be the case that those who insist on privilege and obtain it always perish in the end from privilege. Privilege, indeed, is like the shrine guarded by the priest of Nemi, "the priest who slew the slayer and shall himself be slain."

But, though the organisation of the masters has done a good deal to keep the powers of the Trade Unions within bounds, a force potentially still stronger is now being developed to act as a counterweight to the organisations of the manual workers. This force has grown up by itself and not through any

action on the part of the employers. Indeed, many of them view it, perhaps unwisely, with anxiety. To be explicit, this is the movement among what have been called the "black-coated" workers. Unions have been formed, and are being formed, from the skilled experts of industry—the men who, to use the old phraseology, are artists, *i.e.* artisans, and who, though they work with their brains as much as, or more than, with their hands, are an essential and perhaps the most important part of the machinery of production. They are not capitalists and they are not employers. At the same time they appear, though it is generally, as things are commonly to-day, a misleading appearance, to belong to the capitalist side of the factory or business, though they often act as representatives of the owners, even in Labour disputes. In reality they are skilled hands, often so skilled that they may draw salaries of thousands a year. At the top of many a factory or "works" sit these specialists, who work with the pencil rather than the pen and whose services are to be likened to those given by some great lawyer. These artists or super-artisans have, of late years, begun to realise how greatly they, and the interests of industry which they serve, are imperilled by disputes between masters and men—disputes in which they could take no hand, except as delegates of the employers, and from which they could gain no advantage. These disputes might not only deprive them of

their living for many months, owing to the closing of works, but might, through the bitterness and folly of either or both sides, end in the ruin of the industry and so in the ruin of themselves. Accordingly, though rather reluctantly at first, they have thought it wise to organise and be prepared, if necessary, to take a hand in a game fraught with so vast an import to themselves, to industry, and to the nation. They felt, in fact, that it was time to show both sides that they were necessary men in the industry, and that they did not intend to see it ruined if they could help it; in short, that they possessed a "class-consciousness" of their own. Nor, again, did they desire to see, what was becoming a possibility, the profits of industry being so greatly absorbed by Labour that there was little left wherewith to reward the "black-coated" artists. "We must teach people what would happen if we struck against strikes" might well be described as their motto.

What actually happened in Italy two years ago shows in a very special degree the strength of the experts when they are organised. In certain iron-works disputes arose with the masters so intense that the works had to be closed on the ground that a profit had become impossible. Thereupon the workers, apparently without any serious opposition from the masters, determined they would carry on the work by themselves, and show not only that Jack

was as good as his master, but that the capitalist employer was a wholly unnecessary person. For the first few days the experiment seemed to be going fairly well. Then the employed suddenly found themselves up against an obstacle which had not occurred to them as likely to cause trouble. They found that they could finish the work in hand—*i.e.* work already designed and planned. As soon, however, as that was finished, they were at a stand. They could not get new work without the help of the salesman, plan it without the designers, lay it out without the works' managers, price it without the accountants. In short, they learned that nothing could be carried on without the "management," nor could they live for a week without the "financiers." They learned the importance of those black-coated men who worked, not at the smelting furnaces, in the forges or in the machine-rooms, but who sat upstairs poring over drawing-boards, blue-paper designs, and other such properties, or working in offices, planning the lay-out of the whole process of production, distribution, and finance—the men who were responsible for the general organisation and equipment of the industrial army.

That is the voice which often spoils the slumbers of the householder troubled by an old-fashioned pump, or engine, or hydraulic ram, or even a motor car of unusual make. All the same, it is one of the

essential factors of modern production. In the Italian case, when the workers found that they must get new designs, they discovered that the designers were not there, or, at any rate, would not work. The designers most naturally and properly thought of their own interests in this matter. They believed, no doubt rightly, that the workers could not get the capital, and had not the brains or the experience to conduct those parts of the industry which may be grouped under the head of management and enterprise. Therefore, they argued, the experiment was going to end in the ruin of the works, and they would be involved in that ruin. Accordingly, they refused to be partners to the attempt and struck against the strikers. They downed drawing-boards and left the building. This brought the strike very quickly to an end. The men had to go to their late employers and confess that they could not get on without the designers and other men of that type, and that apparently these men could not, or would not, work under the new *régime*. Instances like these, and reflection on these instances, have not merely shown the black-coated men their power, but have shown also that, if they are not to be perpetually worried by other men's disputes, they must give up their old policy of folding their hands and letting those other people fight their battles out. They must be prepared to watch industry and take their own part.

An account of one of these Unions, that of the Technical Engineers, is contained in the Journal of that Society, published by the Editorial Committee, *S.T.E. Journal*, 102, Belgrave Road, London, S. W. 1. The November (1921) number points out that the policy of the Society has now been regularly defined and settled by the branches in general meetings, and that this policy has been communicated to both the lay and the technical Press, with the result that an exceedingly wide and gratifying appreciation of their work has been expressed. The Press generally has recognised a new note and has shown that it is willing and anxious to investigate the possibilities of the fresh ideas set forth. The first thing to observe in regard to the policy of this Union is that it is not in the least intended to be antagonistic, nor is it in any true sense antagonistic, to existing Trade Unionism. Those who are responsible for drafting the policy of the S.T.E. do, however, feel, as indeed do many of the present Labour leaders, that "Trade Unionism on the old lines is doomed, and that the normal procedure of a Trade Union now results, in the long run, in little or no benefit to its members." Here is the comment of the Society's organ:—

The constant pursuit of more money for less work so vigorously engaged in by practically every other organisation of a Trade Union character can lead us nowhere unless it be to the Bottomless Pit. The only thing that can save

us and those who come after us is the establishment of industry on a basis so sound that the constant fluctuations of supply and demand can be, if not eliminated, at least damped down to a point where such unemployment as does occur can be readily dealt with. It must not be thought, however, that the Society does not intend to concern itself with such questions as an adequate payment to the Technical Engineer for the work that he performs. On the contrary, it does and will insist that proper remuneration should be forthcoming for its members; but it believes that this desired end can be obtained in other and better ways than those usually adopted, and it is convinced that this end is an inevitable consequence of the carrying out of its policy. Our immediate need is Membership. Our Policy will commend itself to the great majority of the technically trained men in the Engineering Industry. Every effort should be made to induce those men who have reached positions of eminence in the industry to join us and to lend a hand to those of their fellows who have been less fortunate. To those who are younger, or are, perhaps, necessarily anxious about material things, we say that, while we can do little for them yet, their ultimate gain is none the less sure, and we ask their support, also, for a policy which has now received the almost enthusiastic approval of the engineering and the lay Press of the country. The greater our membership the more quickly can we give force to our policy and secure the advantages it will give to our members. We have sufficient faith in the good sense of engineers as a whole to feel assured that they will realise that no body which hopes ultimately to secure the support of all those engaged in technical work can achieve its full aims by devoting itself to the pursuit of more money for less work. Now, while Parliament is anxiously projecting remedies for saving the country from industrial ruin, it is worth while to reiterate that if we can

make our Industry a better Industry the benefits will be not only for us but for the nation as a whole; but a condition of such an effort must be that the technicians in the Engineering and Allied Industries are able to maintain equality with, or superiority to, those of other nations.

This is a very able announcement and a very important one. It is a direct challenge to that awful attempt to produce the abundance we all desire by the artificial stimulation of what we all dread so deeply—Scarcity. It is a challenge to the hateful policy of "Ca' canny," which, alas! is often adopted, not through Macchiavellism, but out of a pathetic belief on the part of the worker that the less he produces the more he will help his comrades. Yet all the time he is surely, if not openly, bringing them to misery, ruin, and starvation. Was there ever tragedy more poignant! It is a challenge, too, to those besotted sophists who do not realise that you can build nothing upon a foundation of paradox, but who rather seem to think that the more you pile paradox on paradox, fallacy on fallacy, the more swiftly you will arrive at the industrial paradise where everybody may live in a splendid repose upon the idleness of everybody else. The very carefully worded official statement of the policy originally issued last September is reproduced in the Journal.

It will be found a memorable declaration, and it is to be hoped that it will some day become the

foundation-stone of other Trade Unions similar to that of the Technical Engineers. Meanwhile, the expression "Technical Engineers" is almost wide enough to take in every kind of artist and super-artisan earning salaries from, say, £5000 to £200 a year!

The Society of Technical Engineers are happy in their staff, in their policy, and in their phraseology. One of the phrases in the description of them by those in sympathy with their aims and objects is specially appropriate—"the Third Party in Industry." That is what they are, though they themselves prefer the term "partner" to "party," and obviously it is to the public benefit that this partner should assert itself. The term "public benefit" is not meant to include the capitalist's benefits, though the writer is not in the least ashamed of expressing a strong desire to see him benefited. He is most anxious that the capitalist shall be well treated and that wealth shall be thus attracted to industry. There is no surer way of increasing wages than by increasing the bidders at the labour auction. By public benefit, however, is meant something a great deal wider, comprising the interests of the manual labourer, the interests of the trade as a whole, and not merely as a part, and, above all, the interests of the consumer. That unhappy creature is generally entirely left out of account in the great, perpetual, yet wholly

unnecessary, scuffle between "Labour" and "Capital." Though every man is a consumer, and though by no means every man is a producer, for some strange reason the voice of the consumer is so still and small a voice that no one hears it. It is completely drowned by the stentorian tones of the producer, whether a manual worker, a brain worker, or the possessor of capital. Indeed, a witty Italian professor of Political Economy is said, at the end of a long life, to have doubted whether the consumer really existed. He had read of him in the old books, of course, but he had never yet come across any one professing to be a consumer who stood up for his class and threatened vengeance if he was neglected. The producer, he pointed out, did that all day long and every day. The fact that the consumer never did anything of the sort must surely be taken as proof that he has either ceased to exist, or was never anything more than a phantom of the philosophic brain. Perhaps some day there will be a close organisation of the consumer. A man may some day realise that, if he is a consumer in a hundred things and a producer in only one thing, it may be better worth his while to look after the keeping down of prices in the hundred things than in trying to raise them in one particular instance.

Undoubtedly the Society of Technical Engineers has started with wisdom and forethought, and not

in the usual hugger-mugger in which English reforms begin. It has now to prove worthy of its origin. The aims of the Society cannot be more adequately set out than in the following excellent appeal which is quoted from the Journal. The best and most important thing to remember about the movement is that it is in no way a reactionary, or Capitalist, or anti-Labour organisation:—

If you are on the technical staff of an engineering firm, civil, mechanical, electrical, or any other, or if you hold a position on the staff as responsible as a technical engineer's, this Society is for you, and you are asked to be of it. Its objects are: to look to your individual interests, however you may interpret that term; to look to the interests of your profession, in an endeavour, amongst many others, to secure for engineers and their colleagues a place in the community more worthy of their immense importance to it; and to look to the advancement of the engineering industry at home and in the Empire, so far as its members can help it. Its methods will not be of the selfish and, as it thinks, short-sighted order, for it will always consider in all that it does the interests of the nation and of the industry, and it will not lose sight of the effect of its actions even on individual firms. You cannot do any disservice to your firm, your profession, your industry, your nation, without doing an even greater disservice to yourself; you cannot serve them without at least equally serving yourself. The first step in the carrying out of this policy is to make contact both with employers and with manual workers; the Society wishes to discuss all its objects with the former, while it looks forward to the possible co-operation of the latter in its

endeavours to secure the advancement of the engineering industry. Although itself a Trade Union, it does not propose to associate itself with the Labour movement either by joining the Trade Union Congress, or by acting with any Manual Workers' Trade Unions in pursuit of improved conditions of service; it will take up an intermediate attitude as a third party in industry, detached from each of the others because so much attached to both of them; its members, who because of their training and experience and position perhaps understand some questions a little better than the others do, and may therefore be able to take a reasonably impartial view, will thus be free to help wherever they can without restriction, and they desire a place in the Councils of the industry accordingly. If your interest is even a little aroused, send your name and address to the Secretary, Society of Technical Engineers, 102, Belgrave Road, London, S.W.1, who will put you in touch with the Hon. Secretary of the Branch nearest to you.

V

THE STATE AND LABOUR

We have seen how the workers are able to help themselves by associating among themselves. They can also be helped in certain ways by the action of the State—that is, by the laws, and by what is called the administration—*i.e.* the direct action of the Government. At first it might seem as if the State could and ought to do everything that a voluntary association of workers can do. People sometimes argue "The State is simply a great association: why then should it not be as helpful and do as much for the worker as a Trade Union? Why not use its wealth and its power to do more thoroughly and more speedily what the Trade Unions try to do?" Such arguments are, however, based on a mistake, as a very little thought will show.

If the State were entirely made up, say, of carpenters, the State could, no doubt, do for the people who formed it as much as and more, perhaps, than the Carpenters' Union does for its members. But then no State ever was, or ever will be, made up of only one class of men. A State has in it men of all

trades and all professions, workers and non-workers, capitalists and non-capitalists. But since the State is a mixed association of this kind, and since justice and equality are the first principles of all association, the State cannot, as can a voluntary association, make laws to benefit a particular trade.

The State is an association which must think of the general benefit, that is, of the benefit of all its members, and not of any one class in particular. In olden times, the bad old days which, politically, we should neither regret nor imitate, the State often fell into the hands of a particular class, and this class used the power of the State—that is, the power of law-making—not for the general good, but in the interests of the ruling class. The result was bad government, injustice, and the creation of privileged classes. The men who happened for the moment to be strongest thought of themselves and their privileges rather than of the good of the nation as a whole. If, then, the workers use the laws to further their own special interests, they will be falling into the evil ways of the privileged classes of olden times.

The only true principle upon which the State can act is that of the general good. The carrying out of this principle does not, however, prevent the State doing things to help particular classes, provided that such help confers a general benefit, and is given under exceptional circumstances. The principle merely

demands that when such help is given, it shall be given because the condition of the class proposed to be helped makes it necessary in the public interest that something shall be done for it. For example, and to take an extreme case, when it is found that men in a particular trade are being poisoned, or otherwise injured by the bad conditions under which they work, the State rightly makes a law to prevent employment taking place under such conditions. The general good demands that men, even if they are willing to do so, shall not be allowed to run unnecessary risks or to injure themselves irreparably in health. For it is for the general benefit, and for the good of the nation as a whole, that no class in the community shall by destroying its health produce weak men and women. The healthiness of the race is a matter of national concern.

When the State is asked to do something to help a particular class it is necessary to ask: Will the interference of the State be for the general good? No hard and fast line can be laid down, but each case must be decided on its merits. There are, however, one or two general principles which ought to be remembered and taken into consideration whenever this demand is being considered. The first and most important of these is, that the State should forbid as few things as possible, and make as few things as possible criminal. In other words, it is for the gen-

eral good that men should be left *as free as possible.* We say "as possible," because there are, of course, hundreds of things which men cannot be left free to do. Men cannot be allowed to kill and steal, and commit other crimes of violence. The old lawyers called these "things bad in themselves." Those which were less clearly wrong, such as driving on the wrong side of the road, or selling beer without a licence, they called "things bad because they are forbidden."

Now every one can see that the fewer there are of these last the better. No man wants to have more chances of disobeying the law and getting punished than he can help, and he therefore says, "Only forbid the things which it is absolutely necessary to have forbidden; leave me free as regards other things to take my own choice." When, then, we come to a particular case of forbidding something by law, we have to consider which is the greater evil—to add another thing to the list of things forbidden, or to let some class or set of men and women run the risk of being injured or of injuring themselves. Another principle which ought to be borne in mind is expressed in the question, "Would the class which it is proposed to help by the new law be able to help themselves if the State did not interfere?" If they would, then it is clearly unnecessary to help them by law, for the law never does things so completely or so well as does voluntary effort.

In the United Kingdom there have been a great many instances of State interference in order to help the workers, and the proper conditions on which they should be agreed to are (1) that the general good of the nation demands a remedy; (2) that in the particular case, adding to the list of things forbidden is a less evil than not interfering; (3) that the case is not one in which the people who are to be helped can help themselves. These, then, are the three great considerations which should guide us in the matter of State interference in regard to labour. By these we should try to test every demand for more State action.

The greatest and most important example of State interference in the interests of labour is to be seen in what are called the Factory Acts. About a hundred years ago it was found that women and children were working in factories under conditions which were a disgrace to the nation. The hours worked were so excessive, and the sanitary condition of the factories so bad, that the health of the women workers was destroyed, and the children either died or grew up weak, stunted, deformed, and ignorant. Accordingly it was determined to place the employment of children in factories under strict regulations. This was subsequently extended to women. The law relating to factories and workshops has now been consolidated and amended by an Act of 1901 (1 Edw. VII. c. 7).

Here was a clear case for the interference of the State. It could not but be for the general good to prevent such terrible injuries to the mothers of the population, and to children who, if allowed to be over-worked, had no chance to grow up strong and healthy. No one can doubt that it was a far less evil to add to the list of forbidden things than to allow these horrors to continue. Lastly, it was clear that the women and children were not strong enough to help themselves, and if not helped by law would never be able to better their condition.

The same good reasons for the State interfering with the conditions of labour prevailing in coal mines produced the Mines Acts, under which labour in mines is strictly regulated. Fifty years ago women and young children were allowed to work in the mines. The results were even worse than in the factories before the Factory Acts. The women did the hardest and most unhealthy part of the work, and often with the most disastrous effects upon their health. In many cases they dragged the coal trucks through the passages of the mines. After a careful consideration of the whole subject, it was decided that work underground was not proper work for women, and that it tended to injure them morally and physically, and to unfit them for motherhood. Accordingly an Act was passed forbidding women to be employed underground. Further, the law insists

that the mine owners shall use every reasonable precaution to ensure the safety and health of the men in their employ. It is not so easy to see how the Coal Mines (Eight Hours) Act of 1908 fulfils these conditions. It forbids coal miners to work more than eight hours a day. To work so long underground would seem to most of us quite enough under ordinary circumstances, but it is not obvious why a man should not be allowed to work more sometimes if he wants to earn more money one day and perhaps to take a holiday another day. The law interferes with his liberty and freedom of contract. It is like the class legislation which we have tried to get rid of in England. Also, if the miners were all agreed in desiring that the day's work should always be limited to eight hours, their Unions are well able to arrange it with the masters without the interference of Government.

It would obviously have been little good to pass the Factory Acts and Mines Acts, and not to have insisted on their application. That would be like enacting that public-houses should close at a particular hour, and then taking no thought as to whether they really did close at the hour required. Accordingly, a number of inspectors are appointed by Government, whose business it is to see that the Factory Acts and Mines Acts are properly carried out. These inspectors visit the factories and mines.

In the factories they inquire whether women and children are employed for too long hours, whether proper time is allowed for meals—an hour for dinner and half an hour for tea—and whether the sanitary state of the factories is satisfactory. In the case of mines they also see that the proper safeguards against explosions and poisonous gases are observed.

Though every one must admit that State interference was perfectly justified in the cases of the Factory Acts and the Mines Acts, no reasonable man or woman who looks into the subject will fail to agree that it would be very easy for the State to interfere too much, and that one result of such over-interference might be to injure rather than help those in whose supposed interests the interference was undertaken. The temptation to prevent women doing hard work is a very strong one, but it would not be at all wise to yield to it too easily. For instance, there are a great many kinds of hard work which no man quite likes to see a woman doing. When women are seen doing field labour, weeding or hoeing, and exposed to the weather, we feel inclined to say, "That is not women's work and ought not to be allowed."

Yet it would be a far greater injury to these women to pass a law to forbid them to do field work than to let their backs be bent by toil and their faces bronzed by sun and rain. If we could add to a law forbidding field work to women, another law giving every woman

ten shillings a week without working for it, well and good. But we cannot do that. Hence, if we were to forbid a number of occupations to women which they now adopt to earn their daily bread, we should be inflicting on them a grievous wrong. We should be forcing them to starve or to do worse. Another instance of State interference is the Minimum Wage Act, which regulates certain industries. It was passed by Parliament to prevent what is called "sweated labour" in certain trades, that is, work entailing long hours for miserably small wages, and sometimes requiring no great skill. A great deal of this work had really been competing with machinery which sometimes actually existed, and sometimes only waited to be set up because human beings continued to do the work for these wretched wages. Probably it was better that the work should be done by machinery; but as an instance of the Government interfering with freedom in industry, it brought great suffering to many who instead of earning pitiable rewards for long labour, will be allowed to earn nothing at all.

No doubt in extreme cases, like forbidding women to work underground, the law did right. It would, however, be unwise to add other cases of prohibition without grave consideration. The more trades and occupations are forbidden to women by law, the greater the temptation to evil courses to which they

are exposed. That would indeed be a terrible state of society, in which the prostitute could say, and say truly, "What other way of earning a living did you leave open to me?"

Let the State deal with the extreme cases—the cases in which it can be said, "Almost anything is better than women being employed at such work." The ordinary instances of unsuitable work for women should be left to the instinct of chivalry in the men. Men should teach themselves to feel, "I have no business to let my wife, my daughter, or my sister (as the case may be) do such work as this, nor will I as long as I can use my hands or my brain." Such a spirit as that among the men is worth hundreds of Acts of Parliament or an army of inspectors.

The danger of State interference in the case of children is very much less. Children are the men and women that are to be, and the State ought to see that, while they are children and unfit from want of knowledge and experience to look after themselves, they shall not be injured by overwork or by labour at unsuitable trades. Children, and especially young children, are somewhat in the economic position of slaves. They must do what their parents bid them. But careless or wicked parents may force or allow their children to do work which will do them harm, and prevent them making the best of themselves in after life.

The State, then, has a right to step in and say, "You shall not injure the young plant; leave it alone till it is full grown." Of course even here it would be possible to overdo the interference, and to prevent the father and mother having a proper control over their children, but, as a rule, the State may more safely interfere in the case of children than of grown people. It is right that grown people should, as a rule, look to themselves for help and not to the State. Children, however, soon grow out of childhood, and till childhood is over should be wisely protected. The State, in fact, may rightly say to the careless parents, "We will not allow you to let your children do what no wise or kind father and mother will permit their children to do."

The manufacture of certain articles of commerce is attended with very considerable danger. These dangerous employments have been placed under special regulations, intended to make them as little dangerous as possible. This is perfectly reasonable. The laws of all civilised peoples forbid suicide—self-murder. But men who work at dangerous trades not in the safest ways, but, as often happens, under conditions which sooner or later are bound to bring about premature death, are really committing slow suicide.

The State is therefore quite justified in stopping men pursuing dangerous trades except under proper

safeguards. But it is found in practice that the most efficient way of enforcing these safeguards is to forbid the employers to employ men where they are not in use and to make masters responsible for carrying them out.

It may be said, "If it is right to protect women and children from working too long hours, and from working underground, to supervise the conditions of work in mines for miners, and to insist upon all possible safeguards being used in specially dangerous trades, why should not the State interfere to protect the health and safety of the worker whenever there is the slightest risk to either?" Possibly, in theory, the State might beneficially interfere for both sexes, and in all cases.

As a matter of fact, however, there are some very grave objections to too much State action on the ground of health and safety. The object is to secure the health and safety of the worker. But it is obvious that, if he will be at the trouble to do so, a man can, as a rule, far better secure his own health and safety than any number of inspectors. The man who looks after himself and does not trust to others, has the best possible inspector always close at hand, and one always interested in and attentive to the matter he is inspecting.

The more, then, that the worker looks after his own health and safety the better will his health and

safety be protected. But it is an almost universal rule that if a man sees another man appointed to do his business for him, he will neglect that business himself. It is the same in the human body. Put an artificial support round a muscle, and so do its work for it, and the muscle will soon become unable to perform its proper function. So with men. If they rely on inspectors to look after them they will soon forget how to look after themselves.

But no one can look after one as well as one can look after one's self. Hence it is a mistake, except under special circumstances, to accustom grown men to depend not upon themselves, but upon inspectors. The true principle seems to be, that only in cases where the workers are, for some reason or other, incapable of properly looking after their own health and safety, should the State undertake the duty for them.

This is a large exception. Women and children, to begin with, cannot be expected to look after themselves efficiently. Clearly, then, they should when necessary have the help of the State; for even its inefficient protection is better than none. Again, in trades where to make proper provision for health and safety requires scientific and expert knowledge, as in the case of miners, the State can rightly interfere, for in these cases men cannot look after themselves. Again, there are many dangers, such as the

dangers of bad drainage, which are beyond the control of the ordinary worker. In cases, then, where a man clearly cannot protect his health and safety it is reasonable that the State should interfere to protect him. We should, however, try not to multiply these cases, but to limit them as strictly as possible. Our ideal should be not as much State interference as possible, but as little.

There is one field in which State action in regard to labour can not only do good, but can do it without any risk of harm, and that is the collection and publication of information useful to the worker. Information on subjects connected with labour and the condition of the labourer is useful in a hundred ways. It is a light which enables the worker to see his way clear. For the worker who wants to make the best of himself, and to get the best return for his labour, it is essential to have sound and trustworthy information in regard to the general condition of the trade at which he works, and of the labour market generally.

If trade is bad and unemployment slack men know that it would be unreasonable for them to expect any large improvement in wages. When, however, trade is good and labour in high demand, they have a right to expect a change for the better. But before they take lower pay or ask for higher it is essential that they should know the true facts. Since the State

can supply them with these without difficulty it is reasonable and right that it should do so.

The Board of Trade established what are now called "Employment Exchanges." These are offices in towns throughout Great Britain where men who want work can give their names and say what kind of work they can do. Employers too can say what workers they want, and what kind of work they can offer. All the Exchanges can communicate with one another. This gives every one the best chance of finding work or workers, and there ought not to be good men looking in vain for employment in any trade so long as any employer in that trade wants men who can do his particular work. The Exchanges ought to do a great deal of good in making known where workers are wanted and where work can be found, and they must not be blamed if they cause any disappointment, for of course they cannot make work or situations for workers, or create workmen to fill situations. In the bigger regular trades this business could probably have been better done by the organisations of employers and the Trade Unions for themselves, but they would not have been able to help people outside those trades; whereas in 1912, 258,000 "casual jobs" were arranged at the Exchanges, besides 680,000 engagements for more than a week's work.

Both the Central Government of the whole nation and the Local Authorities, such as Municipalities,

County and District Councils, and Boards of Guardians, come into direct contact with the workers as large employers of labour. For example, the Central Government employs thousands of men in dockyards, arsenals, and factories, while the Town Councils, since they often own gas-works, water-works, and tramways, are constantly large employers of labour. What ought to be the duty of the Central Government and the Local Authorities in regard to the direct employment of labour?

The Government—we use the word both as regards the Central and the Local Authorities—when it employs labour, acts not like a private individual, but as a trustee either for the whole people or the locality. It is entrusted by them with the duty of doing certain things, and of doing them as efficiently and with as little burden as possible to the State or the locality. The first duty of the Government is, then, to see that the labour it employs is as efficient as possible, and is procured in a manner as little burdensome as may be.

But this does not mean that the Government should pay the lowest possible wages, and work those in its employ the greatest possible number of hours. It has been shown that low wages and long hours do not produce cheap or efficient labour. It should be part of the duty of the Government, as an employer, to pay wages sufficiently large, and to arrange the

conditions of labour in other ways so as to attract the best class of labour.

It is specially worth while for the Government, central or local, to do this, because the Government cannot exercise the strict supervision which is exercised by the private employer. The Government cannot see half as easily as does the private employer that it gets full value for its money. But it is a matter of experience that well-paid labour requires to be less closely looked after than cheap labour. Here, then, is another strong reason for the Government paying good wages when it acts as an employer. That will enable it to get the class of labour which works best under imperfect supervision.

But though, in order to get thoroughly efficient labour, the Government is justified in paying good wages and agreeing to short hours, it must be careful not to be an extravagant employer. To waste the public money by spending a larger sum on labour than is necessary to secure efficient work would be a breach of trust and disastrous to the public interests. For example, it would be a criminal waste of the resources of the nation if the Government were to pay £4 a week to dockyard labourers of a particular class for working six hours a day, when it could get the same men at £3 a week for eight hours a day.

No doubt it seems difficult to lay down in the abstract how the Government is to find out what

wage will secure the maximum of efficiency, but in practice it is not really so difficult. If the Government pays the normal price for the best kind of labour, *i.e.*, the price which private people will pay for the best class of labour, it is not likely to go far wrong. If, however, it should happen for any reason that in this class of labour the normal price is not enough to enable the labourer to keep himself in health and strength, then no doubt the Government would rightly pay him as much more as would enable him to maintain his health and strength. It *must* be bad policy for an employer to pay his men, even if they will accept it, less than enough to keep them in health and strength, or to employ them for longer hours than are consistent with efficiency.

But though the Government would have no right to waste the money of the taxpayer or the ratepayer by paying the workers in its employ a wage higher than that which would secure the most efficient form of labour, it is quite proper that the Government should act as a model employer—that is, that it should consult the happiness and convenience of the workers in every reasonable way, just as do the best private employers. It should, indeed, in all such matters as times and ways of paying, and arrangements as to meals and as to holidays, set an example to other employers.

When we have spoken of workers we have not

meant to confine our words to those who work with their hands. Those who are engaged in supervision and other forms of management are quite as much workers as the weaver or miner. And just as it is of importance to the nation that the handicraftsman should do good work, so it is important that the management of all forms of business and industry should be effective, honest, and intelligent.

A man has a choice between doing honest work, or scamp work, in book-keeping or in clerk's work, just as he has in carpentering or bricklaying. Indeed, the disasters which result from mismanagement and fraud in the conduct of a business are often more grievous than those which arise from bad hand-work. For example, the man who, through folly and idleness, or fraud, ruins a great bank, may bring misery on thousands, whereas the evils of a badly-joined door generally stop at injury to an individual.

What duty has the community as a whole to the workers? Unquestionably, it is the duty of the community to sympathise with, and to help on, every fair and reasonable effort of the workers to improve their material condition and to develop their intelligence. And for this plain and common-sense reason among others: if the workers of a nation are prosperous, intelligent, and hopeful, they will do far more and far better work than if their condition is depressed. If any one doubts that let him compare the

work of a prosperous English cotton operative with that of a weaver in India or Japan. The Englishman, judged as a wealth and prosperity producer, is very much more capable than the Indian or the Japanese, and hence contributes very much more to the general welfare of the State to which he belongs.

It is then to the interest of the State—that is, of the community—that the workers should be well off in body and mind. A healthy, skilful, intelligent body of workers, upright and self-reliant in character, is a source of strength to the nation. An unhealthy, depressed, ignorant body of working men, without independence or the power of self-help, is a source of danger. That is why the community should sympathise with the workers in their efforts to secure better material conditions, or, in other words, to make the best of themselves.

One of the main objects of that association which we call a State is the making of good citizens; for if the greater part of the members of a State are not good citizens, that State is as inevitably doomed to ruin as is a rotten tree. How is the good citizen to be built up? First, by a faithful discharge of the homelier duties of life. Civic duty, the citizen's duty, begins in the life of the family, and expands with his occupations in trade, business, and profession. And especially can the duties of the good citizen be learnt, as we have shown, in the member-

ship of self-governing societies. In helping to manage the affairs of a Trade Union, a Club, a Benefit Society, or a Co-operative Store, a man is learning how to help to manage and control the affairs of the State. Every one of these voluntary associations is a school of civic duty.

No citizen—that is, no member of the State—must ever allow himself to slip into thinking that the affairs of the State and its Government are nothing to him, and that he need not trouble about them. As well might a man say that the affairs of his own family are nothing to him. Patriotism—that is, love of one's country, and care and thought for her interests—is as necessary to national and social life as love of wife and children, of father and mother, sisters and brothers, is to the life of the family. It was in no false or sentimental sense that the poet Wordsworth spoke of himself as feeling for his country as "a lover or a child."

That is how we should all think of our country. Just as we have duties to our family we have duties to our country, and duties which we can never shake off. We may sometimes think our country has acted wrongly, or has done us personally an injury, but that gives us no more right not to love our country than an injury received from a father or mother gives us a right to hate father or mother. We may try, and ought to try, to make our country act rightly

when we think it in the wrong, but no man can ever be right in not loving his country.

Every man and woman naturally desires just legislation and impartial administration; he desires that only good and just laws should be made, and that when made they should be fairly carried out—carried out in such a way that no one class shall enjoy privileges beyond those of any other class. But it is no good merely to wish for this. People cannot expect good laws and just government unless they do their best to obtain those blessings. As well might one expect a good dinner and a comfortable bed, and make no effort to provide them. We shall never get good laws and just government unless all the citizens of the State realise that it is their first duty to pay attention to public affairs, and try their best to secure that they shall be well conducted.

It is no good for a man to say, "What is the use of my troubling? I am only one out of millions, and besides I am poor, and hold no important place in the world. What, then, can I do to secure good government?

To talk in that way is treason to the State. Though each one of us alone seems weak and of little account, the united efforts of a few thousand weak men can accomplish more than can the most powerful person in the State. In the Pacific Ocean there are islands which have been made to rise out of the sea by the

work of the coral insects. These creatures by millions of tiny efforts have built up vast islands of hard rock.

So the efforts of millions of citizens build up a strong State. If the coral insects were one by one to say, "What is the use of building a cell so tiny that it is hardly visible?" there would be no island. In the same way, if the citizen says, "What is the use of my doing an invisible piece of work for the State?" there will be no State. In truth, each man by doing well that piece of public duty that devolves upon him—and some piece of public duty devolves on each one of us—may make the difference between a well and an ill-ordered State.

It is easy to see that if a man sits in Parliament, or on a Town Council, or on an Education Committee, or on the Committee of a Trade Union, a Club, or a Co-operative Store, he can help to produce good government by insisting upon justice and sound sense being the rule that governs all the transactions of these bodies. But take the lowest case—the case of a man who never has the opportunity to hold office, either in a public body or in a voluntary association. Even he can exercise a very great influence on public affairs. He has a vote, and that vote is the foundation of all laws and all government.

Let him resolve that he will never give his vote for any man or any cause unless he is satisfied that he

is giving it in the interests of right and justice, and let him persuade others to do the same, and he will be exercising an enormous influence on public affairs. When, too, he sees what he considers to be wrong and injustice being done in public affairs, let him resolve to set his face against them. However humble may be his circumstances, and however small may seem his power, his protest will in the end bring about a change. Injustice and wrong will not prevail for long if people steadily set their minds to get rid of them.

"If we suffer injustice in connection with public affairs we have little right to complain, unless we have done our own duty." That is the principle which every good citizen should bear constantly in mind. When the good citizen hears of wrongdoing in public affairs he must not be content with mere complaints. He must ask himself, "Am I, myself, doing what I can to stop the wrong?" Till he can truly answer "Yes," he is not doing his duty. When he can answer "Yes," he may feel assured that in the end the right will conquer the wrong.

Sometimes, no doubt, the right will be slow in coming, for error dies hard, but for all that he must not give up trying. He must hate nothing of heart and hope, but press right on, confident of victory. There never yet was a bad cause strong enough to stand against right and perseverance. These two

forces are like Cromwell's Ironsides, of whom their leader said, "Truly they were never beaten." One without the other may be of no avail, but united they are invincible. The good citizen is he who does not weary in good doing, and the good citizen is what every man in the land should strive to be.

VI

DIVIDING THE CAKE

In the foregoing chapters of the section I have attempted to set down some of the principles which govern the production of commodities. But even if my readers are willing to admit the truth of these principles and the inevitable deduction that must be made from them—namely, that a system of unfettered free exchange is the best possible organisation of the community, they may make one final objection. They may ask "Of what benefit to the majority is this system, for even if it does lead to the maximum production of wealth, it concentrates this wealth in the hands of the few, while leaving the many more destitute than ever?" This of course would be a perfectly valid objection if the assumption on which it rests was a true one. We have been told so often that the present distribution of wealth is a hopelessly inequitable one that few of us ever examine the actual facts of the case. Hence I feel that it may not be amiss to set out here as concisely as possible a few of the actual facts and figures of the distribution of wealth in this country.

Mr. Smillie said some time ago at the Coal Commission that, out of the total wealth produced in Great Britain before the war, only a third went to the workers. He suggested that they were really entitled to the whole, but that they would be content for the time being with two-thirds. Mr. Smillie put forward this statement as if it were an incontrovertible fact, like a proposition of Euclid's, and it will no doubt pass current as a fact, on his authority, with many thoughtless people. Of course it is not a fact but merely an estimate, which Mr. Smillie borrowed without acknowledgment from a pamphlet by Mr. and Mrs. Sidney Webb. Even as an estimate it is untrue and hopelessly misleading. It depends on an artificially restricted meaning of the term "worker," and on an exaggerated idea of the national income. When Sir Hugh Bell said that, in any country, it will be found that "75 per cent. of the total sale value of the commodities produced will have gone to pay the persons engaged in producing them," he was very much nearer the mark than the political advisers of the Labour Party. It may be thought, in view of the remarkable divergence between these estimates, that there is no solid basis for either of them, and that the whole subject of the national income is wrapped in obscurity. This is not so. A very able and lucid pamphlet by Professor Bowley on *The Division of the Product of In-*

dustry (Clarendon Press) gives the main facts on the unimpeachable evidence of Census and Income Tax returns, the Census of Production of 1907, and other official inquiries which were absolutely impartial. The general conclusion at which Professor Bowley arrives is that in the whole group of industries for which we have adequate information the persons employed in 1907 took 68 per cent. of the net product, or rather more than the two-thirds which Mr. Smillie desires. In the mining industry Labour's share was and is still higher. The gross output in 1911 was valued at £111,000,000; from this £30,500,000 had to be deducted for materials, rates, depreciation, and so forth, leaving £80,500,000 for wages, salaries, profits, and royalties (valued at £7,000,000). Of the total residue, the wage-earners took 75 per cent., the salaried officials 3 per cent., and the coal-owners for interest and profits 22 per cent. The miner, for whom Mr. Smillie asks compassion for the alleged reason that he receives but a third of the mine, really had three-fourths of the output in 1911, and Labour in the widest sense, for a salaried man is usually a very hard worker, had almost four-fifths. Such are the real facts of the case.

The fundamental and neglected truth which Professor Bowley emphasises most opportunely is that the national income before the war was no more than enough to provide every one with a modest

efficiency. The amazing figures of war finance have confused the public mind. People read almost with complacency the statement that the National Debt is now £6,000,000,000, or £8,000,000,000, and assume unconsciously that there is plenty of money about, and that a few millions more or less for this object or that can make no difference. They will be surprised to learn from Professor Bowley that in 1911 the total income of the nation from home industry and foreign investment was probably not more than £2,090,000,000, and that in 1913–14 it was little more than £2,250,000,000. To put it in another form, the average income of a family of five was £170 in 1911 and £180 in 1913–14. There was no vast fund to be diverted from the pockets of the rich in order to bring the poor man's wages up to £5 or £10 a week. If in 1911 the whole national income had been equally divided, each family, containing nearly two workers on the average would have received just as much as each individual miner was earning, on an average, last autumn. Mr. Smillie regards the miner's average war income of £169 a year as starvation wages, but it is almost twice the dividend to which he would have been entitled in 1911. Professor Bowley tells us that in that year the national income from home industry, apart from foreign investments, was nearly £1,900,000,000. Out of this £800,000,000 went in wages and £260,000,000

went in salaries below £160 or to independent workers, small farmers, and small employers not assessed for Income Tax. Mr. and Mrs. Sidney Webb, in order to arrive at their fallacious estimate, carefully ruled out this second class, and, by exaggerating the total national income from home sources to £2,400,000,000, made it appear that the wage-earners received a bare third of the product. It is clear, on the figures, that wage-earners and others earning less than £160 a year had at least more than half the product. But Professor Bowley goes on to remind us that from the balance must be deducted £180,000,000 for the Government, £40,000,000 for rates, and an estimated amount of £230,000,000 for investment in home industries, leaving £390,000,000 in all for salaries over £160 a year, rent, interest, and profits. The vast sums, it will be seen, quickly contract when they are analysed. The Government must be carried on; the municipalities must have their rates; a large amount of money must be spent every year in maintaining our industries, in installing new machinery, and so on, if the wage-earner is to be kept at work; moreover, the managers, clerks, and other officials must be paid; rent and interest cannot be abolished; and finally the employer must have the incentive of profit, in which is included his own salary for supervision. Even so, the figures assign nearly three-fourths of the available net product to Labour, if

that ambiguous term is used only of men who do not pay Income Tax.

Professor Bowley examines and dismisses the usual Socialist proposals for increasing the workmen's wages by a redistribution of the product of industry. The "idle rich," as he says, are, if not a mere figment of the imagination, at any rate a negligible quantity. In 1911, for instance, there were 14,300,000 occupied males, 550,000 living in retirement or on pensions, and only 180,000 able-bodied men under sixty-five who had no occupation or did not reveal it on the Census paper. Professor Bowley discusses in detail the classes of income which are "open to attack," and concludes that in 1911, if every income had been reduced to £160 as a maximum, there would have been, at most, £250,000,000 available for levelling up wages, and even then the male wage-earner would have received no more on an average than 35s. 3d. a week, and the woman wage-earner 20s., so that the average family income would approximate to £160 a year. He admits, of course, that in certain industries and for a limited period exceptional increases in wages might be obtained, as they were obtained during the war by the miners and munition workers. But in the long run economic laws prevail, and these exceptions disappear. Moreover, it would be preposterous to assume that our industry would flourish as it has done in the past if the pecuniary

incentive were completely abolished, and no man could hope to earn more than £3 or £4 a week, however gifted or however industrious he might be. Professor Bowley therefore comes back to the old conclusion that the only way of increasing real wages permanently is by increasing production. If every one wants more cake a larger cake will have to be made. It is useless to argue about the division of the cake, for that is settled in the main on immutable principles. The Bolsheviks in Russia have tried to divide it on a new plan, by giving it all to the illiterates and the criminals, and leaving only the crumbs to the educated people whom they have not yet slaughtered. But the Bolsheviks now find that their cake no longer renews itself, and that they will soon have nothing to divide. None need fear lest the Bolshevik madness should afflict the British workingman, who is a sane and rational being. Class-war of the Russian pattern, with its horrible atrocities, is alien to the British temperament. Danger, however, lies in the false teaching of the Socialists who may persuade the workmen that their duty to their class requires them not to exert themselves, but to render the minimum of service in return for the maximum wages. If that false and ruinous doctrine spreads, our industrial supremacy is surely doomed. We shall not only be unable to compete with America, Germany, or Japan in the world's market, but the moral

fibre of our workmen will be sapped. Honest work invigorates a man, but a man who practises the rule of "Ca' canny" loses after a time his power of working and becomes useless. There are some features of American industry which cannot be admired, but its main principle, that a man should be encouraged to develop his full powers and should be paid liberally for what he does, is absolutely sound. The employer benefits, of course, but the workman and the community benefit also. A witness before the Coal Commission said that a steel manufacturer in America paid his men twice the British rate of wages, but nevertheless produced his steel at half the British cost per ton. High wages in that case meant increased production and larger profit, and therefore could be paid willingly. But high wages cannot be paid if they imply reduced production and vanishing profits, as some of our Socialist advocates seem to think. One can only hope for the advent of a new spirit in British industry, through the co-operation of employers and workmen. Their interests are really identical, and their future welfare depends on the extent to which they can increase and cheapen the national output.

In the next chapter I shall try to give some account of the movement which seems to me to give the best promise of effecting such a change.

VII

COMMERCE, LABOUR, AND THE CREED OF CHRIST

" 'MEN and masters, what shall we do to be saved'—industrially and commercially?" The question we have put is the question of the hour. If an answer can be found all may yet be well and the world will continue to turn on the economic poles of demand and supply, production and consumption. If we can find no answer, then the future is indeed dark and precarious and we are of all men most miserable.

Though it is a tremendous thing to say, I believe that a signpost to the true road—the road that leads to the answer—was set up at a small meeting held at Gresham College in the summer of 1921—a meeting over which Sir James Martin presided, and at which Mr. John Murray, the Member of Parliament, and Mr. Angus Watson, a man noted not only for his great commercial ability but for his intense desire to help the good cause, made speeches of real understanding. The proposals that they made and the spirit in which they argued were based on reason, common sense, and the universal experience of man-

kind in regard to the relations between Labour and Capital. But they were not content, and rightly not content, with these considerations. They realise that while we must obey reason and common sense we must never forget that we are men and Christians. Always let humanity say the last word in human relations. But that means follow the teaching of Christ—a very different thing, remember, from following the dictates of what is too often called Christianity—the dictates of the Lawyers, Scribes and Pharisees who have fastened upon the Christian religion as they fastened upon the religion of the Jews. The golden thread of Christian morals and of the Christian spirit in its highest and purest form must run through all that is woven on the humming looms of commerce.

But though we must remember so to be business men as not to forget we are followers of Christ, we must also never forget, and that is also in essence a part of the teachings of Christ, that there must be something through which the thread can run. You cannot Christianise the empty air. There must be a product to work upon. But there is no real difficulty here. The spirit of humanity, of self-sacrifice, and of "doing unto others as you would be done by," when given its true interpretation in the economic field, turns out to be the foundation of the science of supply and demand. For example, when Sir James

Martin said that there was a responsibility resting upon every man to labour with all his strength and intelligence for the common good, he was really expressing the economic truth that the creation of the things men need and desire is quite as altruistic as it is self-regarding. Do what you will, you can hardly be selfish in business if you obtain a product. You cannot in the long run hold up the fruits of labour and of capital, for neither can get on without the other. In the end your production must filter down through a hundred channels and benefit mankind as a whole. But while producing you must never forget that you are dealing, not with steel, wood, and stone, but with human beings, and that unless they have freedom, justice, and human consideration, you will never get the best work out of them. Above all, to produce well the workers must be men of understanding, that is, well-educated people. Only so will they have the imagination to see their way through the labyrinth of cause and effect, and discover that essential union and partnership which, say what we will and do what we will, must always exist between Capital and Labour. This partnership can never be dissolved, though we may make its progress painful, slow, and difficult when it ought to be easy.

But I must leave these generalities and also, at present, leave aside the excellent practical sugges-

tions of Mr. Angus Watson—suggestions drawn from his own wide experience in the application of sound principles to industry and commerce. What I want to deal with in detail is the remarkable speech made by Mr. John Murray—a man who thoroughly understands economics, and who also has sympathy and inspiration. He makes, as he should, the humanising of production his prime care, though he does so without any attempt to violate the inevitable law that acts must have their material consequences, whether we like or dislike them.

The working-classes, says Mr. Murray, are far more sensitive and emotional than the educated classes. The reason is that the minds of the employer class have been "toughened by education." That is absolutely true and a truth always to be borne in mind. Education enables men to bear far more in every field of human action than they could have borne without it. The reason is that they learn consequences. They see what will happen if they do certain things which their mere instincts or emotions are prompting them to do. In a word, they look ahead. That is why the educated are so much better disciplined than the uneducated. They are not better, or braver, or more loyal, than the uneducated; but they see the results of the want of discipline. The peasant soldier when he is angry or sulky does not realise what the consequence of mutinous action will

be, whereas the gentleman-conscript, who has been to a high-class school and a university, knows what he will be in for if he does mutiny. He realises also that, except by some extraordinary piece of luck, nothing can be built upon mutiny and indiscipline, and that it is ten chances to one against any one ever getting what he wants through a military *émeute*. The way to accomplish things is not by throwing down one's arms and striking or killing one's officers if one is in the army, or by descending into the streets if one is a citizen; but by careful organisation and common action with those who think otherwise.

But this divergence between the educated and the uneducated tends, as Mr. Murray shows, to produce a great psychological gap between the employers and the employed. The working-classes, he points out, are apt to think that they are clever and that the classes above them are stupid. They think themselves sympathetic, and they think the richer classes callous. On the other hand, the professional class and the employing class generally regard the working-class as "wholly unstable and having minds without principle." What Mr. Murray wants is to find some way of bridging this gap. He, of course, sees that education and mental development are the essential ways to get toughness of mind in both classes. If you could get that, and could introduce into the working-man the self-reliance, the will power, and

the general mental force of the professional classes, you would have performed the miracle.

In such circumstances the working-man would become much more reasonable, and, therefore, much more formidable, than he is now. He would be a person whom the selfish employer would find much more difficult to get the better of. And a very good thing too! Nothing demoralises employers so much as the mental weakness of the manual worker as he is now. The workman who fully realised the fact that he was a partner in the business, and who thought out the consequences, would soon get and soon deserve a much bigger share of profit than he gets now. Take a very simple case as illustration. Modern domestic servants are far better educated than they were forty years ago. Many of them, indeed, have been as well educated as their mistresses. The result is that they are far less filled with the prejudices which make for friction and inefficiencies. They know what they want, and they know what are the *sine qua nons* of service, the things that cannot be forgotten without destroying the business by which they intend to live, without, that is, making it not worth while for people to hire them. They see that it is foolish to cut off the bough on which they want to sit.

The specific example which Mr. Murray gives of the want of a mind tough enough to build little

bridges of imagination is the fact that working-people who have never been in control of anything usually imagine that there is nothing so interesting, nothing so pleasant, nothing so powerful, as to be in control of something. They know that they are under rules, regulations, and limitations, and they find them irksome, and they are innocent enough to think that the people at the top are entirely free from these rules and regulations, and can give immediate executive action to their aspirations and desires. Of course, nothing is in reality less true. The man at the top is often the least free man in the whole concern. The manual worker, when he has left the factory, is a really free man. When his head is on the pillow it is not full of anxieties as to whether prices are going to shift in the wrong direction. He is not haunted by the thought that he has bought at 1s. a pound, and will have to sell at 10d. on a vast scale.

We are well aware that the employer as compensation obtains the luxuries of life and generally has a much better time; but it is not better in the way that the workers are apt to think it is. The worker might, if he would reflect, see the proof in his own organisations. The Trade Union delegate or official or Member of Parliament is much better paid than the manual worker, but he certainly is not nearly so free. In fact, he is generally a sorely harassed man.

The truth is, we are all the servants of circumstance, though we do not all realise it. Indeed, as Mr. John Murray notes, people realise it so little that they will engage in a great strike, like the recent engineering strike, on the question of control.

It must not be supposed that Mr. Murray preaches only to the working-man. He is really far more severe on the employers than on the employed class. He does not object to the way in which they make their money, but to the way in which they too often spend it. They have no true idea of the stewardship of the wealth which comes to them. They are not dutiful in spending. They are neither good citizens nor good Christians in their way of life.

In one sense I am entirely with Mr. Murray. A man who does not determine that he will be careful in his personal expenditure, and that he will neither make a pig of himself nor a pig-sty of his home, and become what Horace so well called the fattest swine in the herd of Epicurus, deserves every possible condemnation. But remember that to condemn is one thing and to attempt to penalise or to legislate a human being into a higher ethical position and into nobler action is quite another. If we are to have freedom, and we believe freedom is the foundation of all ethics and of all human betterment—the last and the final social word—we must give a man freedom to do wrong as well as freedom to do right. If

not, he will not really be a free man but a slave. But the slave has no virtues because he is not allowed to be bad; not because his mind is set on truth and righteousness. The man who is "tied up from doing ill" must never be paraded as the good citizen.

Of course, it is inevitable that there should be many interferences with freedom and with the liberty of choice; but do not let us pretend that we can make men better in themselves by forcing them to behave well. What we accomplish with one hand we destroy with the other. We manufacture serfs, not good citizens, by Acts of Parliament. We want to lead men to self-control, not to control them externally by the fear of punishment. The citizens of Paraguay were virtuous enough, but they were despicable specimens of humanity.

Where, then, is the remedy for what Mr. Murray very rightly describes as the absolutely pagan way in which the women of the comfortable classes and the richer classes spend the money their men make? The special selection of the women is not ours, but Mr. Murray's. He preaches a strict Christian stewardship in regard to money and the setting of strict limits to ostentation and luxury, and in this we are wholly with him. When, however, he goes on to say that if ostentation could be stopped we should have less labour unrest and that our labour troubles would largely disappear, I think he is losing touch with

realities. We do not want to frighten the rich into forgoing, or rather concealing, their selfish luxuries. If we do, we shall probably find them making common cause with the worst section of the working-classes—for remember that all manual labourers are not emotional saints. The poor have their vices as well as the rich. We must not talk as if the luxuries of drinking and gambling were unknown to them.

We do not want to see the worst profligates of both classes winking at each other behind our backs with a "If you will help us to keep the hands of these d——d puritans off our Rolls-Royces, our champagne, and our bridge parties, we will help you to keep your beer, your whippets, and your weekly 'bits' on the horses spotted for you by the tipsters of the *Star* and of the *Daily Herald*." It seems to us that the proper way to attempt to cure this evil is to make the rich ashamed of their more unseemly and undignified luxuries. I believe publicity is the best medicine for these evils. Do not let us pretend that either the working-men who spend what they do spend on drink and on racing are angels, or that the large section of the employing class, who are like them on a larger scale, are wicked men. Let us be perfectly plain about the matter and make both sides, if we can, ashamed of wallowing in their sties, humble or magnificent. By this, of course, I do not mean that men are to give up their pleasures and those carrots

of such different shapes and sizes by means of which they are now induced to trot instead of slouch along the road of life. The real test of luxuries is "Are these things making me soft?" If they are, a man, in order to save his own soul, and, curiously enough, also to save his body, must cut them off. We all know that a rich man's children, if their parents keep them too tightly in hand, are only hardened in the desire for luxuries. Much the best chance is to teach them to feel the sense of *noblesse oblige* in the matter of soft living. So with the grown-up children of the State. Prohibition of a thing not *malum in se* is apt to provoke rather than to restrain.

Here, however, as in so many other things, we have got to find the middle way. One must be a Whig and a moderate in the relations of Capital and Labour as in all other relations. I now come to Mr. Murray's practical proposal, which is as follows:—

> We want in the industrial areas the setting up of a statutory body which shall gather up all these fragmentary agencies and powers into itself, so that it, with the knowledge of all the industrial and business life of the community, shall be there to be appealed to, to set a standard of behaviour, to maintain an atmosphere of goodwill within the limits of the area of which it is the authority. We have all these isolated agencies, all these individual men, all these philanthropic centres, and all these Whitley Councils, but no Whitley Council represents the com-

munity. No Chamber of Commerce does, no Trades Council does, and no Trade Union. We want something that will supersede the narrowness and the special interest of these bodies and build up the business life of the community into something vivid and decisive, something that knew its own mind, something that was well rooted in the social sense, something that was inspired by good social feeling, something that by being there in the midst of the community, appealed to in times of trouble, and generally to shepherd and watch over the whole affair of industry—by setting up such a something, I do believe, in this lucid moment after the war, when we have still the pressure of the war lessons upon us, when the nation's will is still used to action—very soon it will get tired of action and we shall have a phase of inaction in which the Government will never do anything—but the war taught us as a nation to have an idea and try to carry it out; and I should like to see the strengthening of the national will which the war brought used to bring about an establishment in the localities of statutory bodies representing the whole of the community, and not any hole-and-corner organisation to which Parliament and the public might look for the keeping of the peace and the diffusing of the spirit which would enable industry to be happy and contented and profitable for us all.

That is excellent, but here again I believe that the chief weapon, and perhaps, indeed, the only weapon, which "the statutory body" could use would be that of publicity. It should not wait till there was a disturbance in industry. It should be watching the respective interests of Capital and Labour, and also of the consumer and the State in every commercial

sphere very closely. But it should, of course, do more than wait and watch. It should warn, advise, admonish, and interpret. For example, if it found that the employers, or some of them, were not conducting their business in a proper spirit of partnership, we see no reason why the statutory body should not admonish them and either make them mend their ways or force them to prove that if they gave a larger share of the profits of industry to their employees they would make it impossible to keep their works going.

In the same way, if it could be shown that the men were practising "Ca' canny" in any industry with the open or tacit approval of their Union, or, at any rate, without its censure, or, again, were deliberately limiting the use of machinery in order to create more jobs, and were, in effect, acting on the ruinous Marxian policy that the way to get abundance is to make an artificial scarcity, the great engine of publicity should be employed. Let the facts and all the facts be given to the world and the consequences be plainly described. We admit that there are hundreds of difficulties in the course we propose, but we do think that far more use could be made of publicity than is made at present.

In any case, we wish every possible success to this admirable movement towards a "Christian Order of Industry and Commerce," and we endorse in prin-

ciple, though we should have stated it rather differently, the following appeal:—

> Industry must be regarded primarily as a National Service. Employers and Administrators, in common with all engaged in industry, must be animated by the Christian spirit. It is the spirit actuating a system that matters. Any part of the present or other system that is against the spirit must be eliminated. It is the responsibility of leaders of industry and employers of labour, by virtue of their position, to endeavour to remove from industry any evil existing in it.

We sincerely trust that the movement will get wide public support. All people who are interested should write to "The Secretary of the National Movement towards a Christian Order of Industry and Commerce, 24, Great Russell Street, London, W.C.1," and ask for the explanatory papers. To show how comprehensive the movement is, we may note that the names of the vice-presidents are Lord Hambledon, Mr. Arnold S. Rowntree, Mr. B. Seebohm Rowntree, and Mr. Angus Watson. The General Council, over which Mr. Sydney Pascall presides, is also full of good names.

I will end with one word of warning, and that is that all concerned must remember that a business may be killed by kindness as easily as a human being. We ask the heads of this movement to remember that there is nothing wicked in a profit. On the

contrary, there is much that is good and much to be proud of. No business will ever really flourish which does not make a profit. We have had so much silly talk of late about profiteers and profiteering that people are inclined to think that a profit is always something to be ashamed of. *To work for a profit is natural, reasonable, and morally sound, so long as those who work keep before them ethical considerations and remember that they are men dealing with men, not machines dealing with abstractions.* No man must ever say "a profit right or wrong" any more than "my country right or wrong." He must determine that, though he may make a profit, it shall be made with honour and a good conscience, and with due respect for that charity and love which is the first and the last word of the religion of Christ.

PART III

FOUR QUESTIONS OF THE HOUR

I

THE BROKEN LINK OF COMMERCE

I

To-day not one nation, nor one group of nations, but the whole world is commercially "in stays." We want to move, but our power has vanished. We want to trade, but we cannot use the mechanism of exchange. We want to produce cheaply, but often we cannot produce at all. We want to be prosperous, but we are poor, almost bankrupt. What is worse, we not only do not know how to get out of our trouble, but cannot even tell what is its true cause. How, then, can the remedy be found? The diagnosis of the disease is, indeed, so imperfect that it is dangerous to prescribe a medicine or a treatment, much less a remedial operation.

The first thing to remember is that the old explanation of our poverty and commercial impotence will not stand investigation. According to this view, we are poor and economically unhappy because we spent so much in the war, *i.e.* destroyed so much property of all kinds and dissipated so much capital. The analogy of the private individual is used to show

that we must expect to be poor. If a man engages in a very expensive law suit and has to sell out his investments in order to carry it on, and, though he wins his cause, only just saves himself from bankruptcy, he has to endure many years of poverty before he can replace his capital and get back to his old position. That analogy sounds well enough, but in fact it is almost wholly fallacious. This country, and indeed the world in general, has not been impoverished by the war at all in the way that the ordinary man is impoverished. We, and most of the other countries of the world, are in essentials as rich as we were before 1914. It is true that by loans and taxation we have altered the distribution of property in a manner which, if it had been done in a different way, would have been called revolutionary, but that does not mean a diminution of total wealth. All the shares in companies which yield a fixed rate of interest, like railway debentures and preference stock, are, as are also pre-war Consols, only worth to sell half their old price. On the other hand, there are some seven thousand millions of new National Debt from which some twenty-five millions or so of people are drawing dividends, great and small. Certainly there is no diminution of wealth here. In the same way there are no great industries that have been destroyed by the war—our coal-pits, our cotton trade, our shipbuilding yards, and all our industries

from iron furnaces to woollen mills are there ready to be worked. As regards population, it is true that we have possibly lost the services of a million men through deaths and wounds that totally incapacitate, but this, looked at from the economic side, is not a loss which takes very long to repair. Suppose we had two or three very unhealthy years, added to an abnormally high emigration rate, we might easily lose a good many more men without any one noticing it. Once more no serious diminution of physical wealth has been caused by the war here. We have not even got a demoralised population. Take it altogether, the war was a stimulus, and there are more people at this moment ready and eager, if they can see how, to make a profit and increase the wealth of the world than there were ever before.

What is true of Britain is, of course, still more true of America, for America is suffering as intensely as we from commercial depression and unemployment. Excluding Russia, it is true of all Europe. Russia, of course, owing to internal political conditions, is in a state of social and political disintegration and cursed by plague and famine. In other countries there is no marked destruction of wealth or of the means of production. No doubt a considerable proportion of land in Belgium was physically devastated by the war, and a large area, though smaller in proportion to the size of the country, of France was

ruined, though, happily, not permanently, by the war. The same conditions exist in Italy. No doubt also there was a great deal of damage done in the Near East and in Northern Central Europe and indeed wherever the Germans or Turks penetrated. Again, in all these countries there was a large loss of population. But the war was paid for year by year and as we went along, and it is absurd to say the world is now poor because the waste has yet to be made good. The trouble is that nothing is being made or at any rate nothing like as much as could or would or should be made.

The factories stand throughout the world without any adequate trade products, not because they are making other things, not because the men are doing something else as they were in the war, and not because men are on strike, or are too fastidious or too weary to work, but as a rule because there is no sale for the goods which are made in them. Men, of course, desire these things just as much as they did before the war, but something paralyses them and takes from them the courage to ask for what they want so ardently. We fail to produce not because we have not the power to manufacture, but because we cannot trade, cannot buy or sell. Again, it is not, as some people have supposed, merely inflation that is making us poor. Inflation has no doubt greatly helped the process of taking away wealth from one

set of people and giving it to another set, but it has not diminished the total wealth of the world. As Sidonia said in the passage so often quoted, "We have not diminished the stocks of gold and silver in the world because we have taken to using paper as money." No, the trouble is not a material or a physical one. Commercially speaking:–

> Lord Chatham, with his sword drawn
> Is waiting for Sir Richard Strachan.
> Sir Richard, longing to be at 'em,
> Is waiting for the Earl of Chatham.

Sellers are longing to sell and buyers to buy, but alas! they cannot get together. There is something lurking behind or in front of or beside them which forbids action, though what may be its name or its nature they cannot tell. They know nothing except that they cannot trade with the other man, and the other man cannot trade with them. When they call in the darkness to each other to do business, the reply comes back: "How can I do business with you unless you first do business with me?" And so the world rolls and strains and groans uneasily on the rock on which it has struck, but there is no forward movement. The high water that it was hoped would raise the ship has come and gone, and still she is fast, and still the wretched crew and merchant passengers with all their rich bales in the

hold are praying for some record springtide which will be enough to lift her.

Exchange is necessary to wealth; therefore exchange is our economic object. All, then, that the world has to do is to get busy with bartering. But will no one teach us how to begin? "Speak, oh, some one, the word that will reconcile buying and selling." It will be clearer to envisage the actual situation. A, B, C, and D go over to Genoa to do business. When they get back to their hotel in the evening they ask each other over coffee and cigars how things have gone, and each has the same tale to tell: "They were quite keen to buy, but there was always some provision: 'I cannot let you book the order unless you can arrange to buy from me, or to buy from somebody else who owes me money and cannot pay it unless he gets an order.' " The would-be seller very naturally replied: "Oh! that's not my business. You have got to pay me in cash, but I cannot promise you how I shall lay out that cash. As a matter of fact, it is wanted to pay production costs and taxes in England, and if I spent it here on something that might prove quite unsaleable in London, there would be a deuce of a row in our offices when I got home." Therefore, for these and similar reasons everybody reports: "Nothing doing." Curiously enough, the Italian opposite numbers of A, B, C, and D are probably over in England making

similar propositions and getting similar answers. Surely it is worth somebody's while—and if it is worth their while, why don't they do it?—to bring these gentlemen together into some sort of clearing-house which would conduct the barter of chops against tomato-sauce, oranges against worsted, and pig-iron against women's underwear, and only demand cash for the total difference—often a comparatively trivial sum. Plenty of such clearing-houses for trade, with a central and parent commercial clearing-house, ought, one would think, to get rid very easily of exchange difficulties. The clearing-house paper, based on gold, would have a stable backing, and people would always know exactly what it was worth.

Short of this, it is quite easy to see that credits (those guardian angels of commerce) ought to be increased in number and more quickly mobilised. Again, the mechanism of loans ought to be popularised as much as possible and on easy terms. An example of this is to be found in the Morris Plan, a system devised by Mr. Arthur J. Morris, who is the active head of the Industrial Finance Corporation of America. The Morris Plan, which is in active operation in many American banks, enables working-men and women to borrow money at very moderate terms, usually at five per cent., from the date of purchase, for remedial or reconstructive purposes. The amount of the loan is regulated by the size of the

borrower's income, and he has to obtain two co-makers of his promissory note. He is required to purchase, by weekly payments of two per cent. of the total amount, one of the company's investment certificates which has a face value of the amount he borrows. Thus in fifty weeks he has subscribed the exact sum he owes. He then cashes the certificate and proceeds to repay the loan.

The world is not ruined by money-lenders, but very much helped. More usury, not less, is wanted —provided, of course, that the usurer is a decent man or not forced to behave like a fiend because he is subjected to idiotic persecution. As to the way in which a loan may set business going, the writer may be pardoned for telling a personal anecdote which seems to him, at any rate, illuminating. The scene is a Nile gunboat some twenty-five years ago. When Phylae was reached came the proper moment to give a present to Houssein, the very efficient Egyptian who had acted as steward, valet, and housemaid. But in a lane where there are no shops one is very apt to have no change, and the traveller found himself without the wherewithal to tip. He made application to an English officer on board. Could he cash a cheque? No, unfortunately he could not. He had not a halfpenny of change. Otherwise he would have been delighted, of course, to lend the money. The steward would not under-

stand a cheque, and thus all concerned appeared to be faced with an insoluble problem. "But," said the traveller to his friend, "what will you do yourself when you want some petty cash for tipping people in Assouan?" "Oh, I shall borrow from Houssein." "But if you can borrow from Houssein for yourself, you can borrow for me. Borrow a sovereign in silver dollars from him. I will give you a cheque for £1, and then I can make my present to Houssein."

Though it was paradoxical, no flaw could be found in the arrangement. Accordingly Houssein came to the saloon and gave his officer five silver dollar pieces on loan. The officer crossed to where the traveller was sitting smoking, and handed him the silver. The traveller then went across to the cabins where Houssein had returned to his task of making beds, and he was solemnly presented with his own money. He salaamed, showed real gratitude, and everybody was satisfied. Houssein knew that the officer would return him the sovereign he had borrowed. The officer knew that the traveller's cheque was all right, and the traveller had the feeling that he had purchased freedom from the thought that he had behaved shabbily.

This principle of borrowing from people in order to pay them is, in truth, a perfectly sound one, and is, in the last resort, what happens under a well-developed system of commercial credit. It does not of course wholly solve the great world problem, but

if it was properly thought out it might give a hint which, combined with the clearing-house scheme, would be helpful.

II

Another great burden which might be taken off commerce, so that once again the ship, thus lightened, might sail every sea, is that of arresting taxation.

But though the reduction of taxation below the sterilising and killing point is essential, it is not a panacea. Though we want this most, we want many other things to restore us economically and physically to full health and vigour. The majority of these adjuncts to a sound national policy depend upon the proper understanding of economic laws. It sounds a priggish thing to say, but it is none the less true that if you sift our trouble to the bottom a great part of it is found to be due to a misunderstanding of the principles of exchange. The world at large has not yet realised that wealth is founded on exchange, and that if we want to be wealthy, *i.e.* to get economically the best and the most out of the material side of life, we must encourage exchanges. There is no other way. The increasing of exchanges means riches; the decreasing of exchanges poverty. And this is as true for nations as for individuals, for the very simple reason that, though we personify nations, they are in reality only aggregations of

individuals. They do not change in kind owing to their conjunction, but remain economically concourses of individuals.

But why, it will be asked, should these communities depend upon exchanges? Why should they not make the things they want for themselves instead of being perpetually swapping? The answer is "Waste." To use exchange instead of self-supply means a reduction of waste in time and energy, so enormous in amount that material civilisation, and with it a great deal of moral civilisation, may be said to be founded on the facility of exchange.

Bastiat in a wonderful passage shows how ill a French peasant would have fared in the forties had he been obliged to forgo the use of exchange and to get everything for himself. It would have taken many years of hard trade to collect even the small amount of foreign things which the ordinary labourer used in those days. How could he have obtained his coffee from Asia or Brazil, his cotton from China, and his metals from England? He would have been exhausted by the strain of satisfying by his own efforts even a part of his very humble desires.

Instead of being economically self-sufficient, the labourer relies upon exchange, and finds that he can, as it were, stretch his arms across the globe to get the things he needs. By the organisation of ex-

changes he becomes the master of the material world. He tills his corn-patch or his vineyard, and exchanges its produce for money, which is the universal solvent of exchange—the thing which gives you a choice as wide as the globe. By the savings which a man and his fellows make in the process of barter, the world becomes richer and richer. But barter necessitates a delay between the production of commodities and their use. Hence, it can only be carried on by a system of credits which will, as it were, tide over the time before the product of manufacture can realise its "Value in Use." The very quartern loaf is the child of credit. Credit enabled the seed to be bought and the land to be ploughed. Credit found the wages of the men who reaped it and carried it to the railway station. Credit sped the plough and the tractors. It paid the rail rates to the coast. It put the corn on board the ship and took it across the ocean. It unloaded it again and brought it to the mill.

Once that was an easy transaction. Now, though a great part of the chain is perfectly sound and perfectly fit for use, there are one or two links which in many trades are lost or have become shaky and dangerous. But as we all know, the strength of a chain is in its weakest link. Therefore, this talk about re-establishing the commerce of the world, actually means re-establishing the mechanism of exchange, for that is what is gone—not the desire to

exchange. And the restoring of this mechanism means largely the restoring of credit. And credit means confidence.

There was once a very thirsty village. In it there was a deep well full of good water, and there was an old-fashioned pump in the well. But it would not work, and nobody could get water. Then it was pointed out that the only way to get the pump to work was to pour a gallon of water down it. Next some one proposed that every one should contribute from the little stores of drinking-water which the householders possessed, enough to make up a gallon. No one would come forward. Each man doubted whether it was really true that the pouring down of the gallon would set the pump going. If it would not, then he would have parted with the water which might have kept him alive a little longer. Therefore no water was raised because no one had the pluck to run the necessary risk. That is not unlike the present state of Europe. We have got to pour some water down the pump, or it will not work. The right way of doing it is to begin by buying and selling. If only confidence is restored, and people can be induced to contribute their share to set the pump going, all will be well.

Nothing will restore confidence more quickly than remembering and acting on two or three fundamental things in economics:—

1. You cannot eat gold or silver, or tickets for the supply of these metals. Therefore the hoarding of such tickets is a form of madness which will lead to utter ruin.

2. There is not less treasure in the world because we have taken to using paper as money.

3. Though all our vast expenditure on the war has led to a great transfer of property, and made the old rich much poorer, and the new rich, whether capitalists or manual workers, much richer, there is not, in a country like England, which did not suffer physical destruction from the war, really less potential wealth than there was before the war.

Once more, what is keeping us poor is not the loss of anything physical, but the scrapping of the mechanism of exchanges, the loss of credit which is the mainspring of that mechanism.

Owing to a pitifully unfortunate application of strict logic to imperfect premises, mankind is apt to ignore these simple facts. Men will not acknowledge exchange to be a union of forces to prevent waste. Instead they insist that it is not a mutual and therefore a double benefit, but a transaction in which one side gets the better of the other. The man whom we call the seller is always he who does the better—the person who gets gold but not a commodity for his share of the exchange! We fix our eyes upon the seller and ignore the buyer, forgetting that in reality

the buyer and seller are at bottom the same. The moment a man has got cash for his goods all he can do is to go and buy something with it. He cannot eat the precious metals or the tickets (paper currency) which produce these metals "on demand."

What has gone wrong with the world, what is the cause of all our troubles, is not what people call "the destruction of capital" through making and destroying munitions of war instead of producing and using food and clothing. No doubt there was a great deal of waste while the war lasted, but, except for the physical losses of the ruined areas, the world is no poorer than it was before the war. In other words, the war has already been paid for. We paid as we went along. What is keeping us poor, what is placing us in deadly peril, is not our material losses in the war, but the breakdown of the machinery of exchange. Wealth is the resultant of exchange, and we are not exchanging. That is the root of the whole matter. We are not exchanging, not because we don't want to do so, but because we don't know how to start the engine.

When we begin to talk business, and not sophistical platform rubbish, it is at once clear that what the business man wants to do is both to buy and to sell. Instinctively he knows, though he will not always admit it, that there is a great law which says, "He that will not buy, neither shall he sell." If he who

wants to sell will only believe that if you buy you will end by being able to sell, he will soon realise that his road to prosperity is to set the machinery of exchange going at all costs. Without that he and his business must perish.

Imagine a Moses ready and able to lead the people out of the economic wilderness. He would first tell them to start buying in foreign countries and to trust to the laws of economics to see that they were paid. But if this were too hard a saying, and seemed too much like throwing boys into deep water in order to teach them to swim, the new Moses would certainly tell the would-be traders to begin by organising credits.

Men engaged in foreign business ought in theory to hunt in couples. Every man who sends somebody to sell his goods in Italy, or Poland, or wherever else he is opening a market, should send him in company with a man who wants to buy. Then the two English traders should put their heads together and make a little clearing-house between themselves. The old way, of course, and the least complicated way, was payment by bill of exchange, and the other beautifully balanced and delicate operations of credit under which money was lent upon a cargo the moment it was put on board, or even the moment it was taken over and was ready to be carried down to the port. The golden angel of credit attended the pro-

duct on its voyage through the world. From the moment the wheat left a cornfield far inland in the Argentine till it passed into the hands of the village baker in England and was placed on the table of the English labourer, the guardian spirit was hovering over the "consignment" and helping it along at every stage. He made the journey a triumphal procession. The corn was in debt, and rightly not in the least ashamed of being so, through its whole career.

III

But as I have said, we cannot begin exchanging till our crushing taxation and its inevitable accompaniment—the numbing and destructive interference of Government—is lifted. How can a man get seriously to work when the Government is all the time fumbling in his pockets for his last halfpenny? Such a process would put the most imperturbable of men off his job.

It is obvious that our taxation cannot be increased. If the taxes are made heavier, instead of producing more money for the State they will produce less. We are killing the goose. We are sapping the primary sources of our financial strength. Of this there can be no sort of doubt.

But when such conditions as these prevail, the only policy to follow is that bold policy pursued by Mr. Gladstone on a famous occasion when he largely

reduced the number and the intensity of taxes and duties, and yet increased the revenue. Yet another example, one which used to be very popular, is that afforded by Rowland Hill at the Post Office. He saw that high postal rates were not only checking commerce, but actually curtailing Post Office profits, *as they are now.* He boldly struck out for the flat rate and the Penny Post. Though he had been told that the thing was impossible, he ended by giving us not only the immense boon of cheap communication but increased income from the Post Office. It would be well if those in command of our finance had both the sagacity and the courage to follow these examples.

So vital is this matter that we must always think first of taxation, and not, as people are apt to do now, first of expenditure. The prime policy is to consider what is the maximum of money which can safely be raised from the taxes. When that is ascertained (it can be done approximately if not absolutely) half our task is done. We shall know how much we dare spend without ruin. We shall have done what the ordinary sensible citizen does when he reforms his establishment in bad times. He begins by ascertaining his exact spending income, his gross income *minus* interest on debts and mortgages. Our spending income is the maximum raisable without injury to trade and commerce. That ascertained,

the task of economy becomes comparatively easy. The economist may not have actually increased his arguments against too great expenditure, but he has made these arguments so clear that even the wildest spendthrift cannot help being impressed by them. He has got a sure and certain way of meeting the plea, "We must have this," or "We must have that." He can at once say: "There is no 'must' in the matter. You cannot have more money than there is in the till. Further, there is no way of getting more money into the till which would not prove infinitely worse than the cutting down which we now tell you has become an absolute necessity."

The next step is almost automatic—the step of rationing the departments and telling them that they have got so much to spend and no more, or rather, that if they want more it can only be got by persuading the Cabinet to reduce expenditure in some other office. These being the conditions, it is the duty of the Government—an unpleasant duty, we admit—to apportion the money in hand. The heads of the department must carry out the necessary retrenchments. When this has been actually accomplished, but of course not till then, rulers and ruled will be surprised how relatively easy reducing expenditure is in practice. What makes the approach to or even the discussion of retrenchment so difficult is the human resistance thereto. Retrenchment, un-

fortunately, is bound to mean taking away a comfortable living or comfortable expectations from a great many people. The persons involved naturally object, and, entrenched as they are in our public offices, fight to the death.

In private life individuals and groups of people quickly realise that if retrenchment does not take place in the home or in the business they themselves will be ruined. If they have only a fixed income and they spend a quarter of it on a motor-car, they have only three quarters of it left for housekeeping and other expenses. That being so, they cannot indulge in the luxury of saying of any item of expenditure, "We must have this or that, whatever happens." No person, either in public or private finance ever cut down expenditure for the pleasure of it. It is only grim necessity that can make people retrench; though, curiously enough, six months after the tooth is out they find to their astonishment that the things they thought absolutely essential could really quite well be done without.

In private life there are always men as ready to fight for retrenchment as there are men to fight against it. But in the case of public affairs there are no such instinctive and natural upholders of thrift. Unless somebody can inspire the Government with a passion for retrenchment, which, however, is not so difficult as it sounds, the opponents of economy

are apt to hold the field. Nobody feels that he will immediately suffer in his own person or purse unless there is a radical reduction of staff throughout the Department in which he serves. He does not realise, as do the directors and managers in an ordinary business, that unless there is a reduction of expense he will lose his livelihood. For these reasons the key to the whole matter is to concentrate upon reducing taxation. If taxes are cut down sufficiently—that is, to the point where they are not injuring trade and commerce—the other reforms will follow by themselves. You cannot waste what you have not got. But to set this brake at work on taxation some one must be found who not only understands what is wanted and why it is wanted, but who is capable of impassioning himself as well as of leading his countrymen. The country itself is more than ready. All it wants is a leader.

This depth of popular feeling does not belong merely to the merchant and employer classes. It is instinctively affecting the minds of the manual workers. They realise as fully as the former that our bloated taxes are going to destroy them. The nation is a great crowd standing with its back to the Dark River of Want. The sound of the turbid and menacing waters is always in its ears. The last ranks in the crowd, the ranks on the very edge of the river, are the ranks of the manual workers. They

know that if there is disturbance or panic, or anything that pushes the men in front back, they will be the first to go into the water, there to perish miserably. Therefore they are the first instinctively to feel that the tax-collector, who is causing so much disturbance in the crowd and making it sway backwards and forwards so dangerously, is their mortal enemy. And they are right. Panic in the crowd is the worst peril. It may cause a disaster long before it is actually due, or rather a disaster which might have been quite easily avoided by care, discipline, and organisation. Therefore the country at large is longing for a politician who will lead it on the way to thrift.

To lead the country in this matter and to re-establish its finance he must not only be able to inspire the nation with the passion for economy and to satisfy the nation's intense and instinctive desire to save itself from destruction by taxation, but must be a man of wide experience in our public administration, a man who has seen so much from the inside —*i.e.* from the Cabinet standpoint—of the way in which the money goes, that he will be able to meet the heads of the great spending departments—the Army, the Navy, the Home Office, and the Board of Trade—on their own ground and talk to them with equal knowledge. When they resist on this or that point, and say that reduction is "impossible," he must know how to show them and the country that

at such a time as the present the word is untenable. It is not only treasonable, but ridiculous. It comes to nothing else but the Duke of Buckingham's excuse for his spendthrift ways and his innocent assertion that he must live, and live in a particular style. When he was told by the friend who was seeking to put his financial house in order that he should cut off the four still-room maids who made tea and cakes at Stowe, he crystallised for all time the argument of the man bent on his own bankruptcy: "*Hang it all, a man must have a biscuit.*" It is in that "must" that lies sequestered all the madness and impotence of the Government policy. Like half the men in private life who are talking about cutting down expenditure, our official Buckinghams insist in effect that they must do so without denying themselves anything. They *must* have this and they *must* have that. They forget that this "must," if accepted, will ruin us all. To put it in a better way, this "must" is governed by a higher "must." You cannot spend more than you have got to spend. This is, of course, a very hard saying for us all. Unless, however, we acknowledge it and bow to its behest, however disagreeable the consequences, we shall have the much worse consequences of absolute destruction—not mere insolvency as in private life, but that national financial ruin which leads first to the abolition of credit, then to actual starvation, then to revolution, and

finally to the anarchy and tyranny which vainly strive to lessen the starvation and in the end make it worse. Remember that if England ever reaches the Soviet stage of revolution—the state in which Russia now finds herself—her condition, though it may now seem impossible to imagine it, will be far worse than that of Moscow, Petrograd, and the other Russian towns.

Though it is difficult to get the corn and other food from the peasant, there is always a large amount of food in Russia. The proportion of people who do not produce the food required to keep them alive is in Russia far smaller than it is here. Here, if the food ships stopped coming for four months, or if they brought greatly diminished cargoes, we should soon have nothing to eat whatever. Our condition would be literally like that of the island in the Sea of Marmora to which the Young Turks transported the dogs of Constantinople when they wanted to modernise the city. They were taken by boat to the island, which became a huge canine community. But no food was provided. Therefore they ate each other.

However, British people are not revolutionaries. They do in the end face facts, though it is very difficult to get them to begin. The Englishman's first impulse when faced with a disagreeable fact is to say contemptuously, "Come, I don't think things can be really quite so bad as that." This said or

thought, he immediately throws a rug or a blanket over the offending fact and pretends, because he does not see it, that it does not exist. Later, however, he is sure to steal back to see what it really is that is making things so queer. When at last he recognises an unpleasant truth, he is swift to act.

II

A LEVY ON CAPITAL—WHAT WOULD HAPPEN

This is not the place for the full discussion of the principle of a Capital Levy. To consider both its ethical and its "high-financial" sides would need chapters, nay volumes, on each. Here I merely want to try to envisage quite simply what would actually happen if the Levy was applied in this country. For, indeed, I cannot but think that if people will make this effort of the imagination, they will need no ethical nor "high-financial" study to convince them of the utterly unworkable nature of the proposal.

I will take the most moderate of the many suggestions made by the Labour Party and not the plans for using the Levy to put an end to private property under an "Instalments System." That is to say, I will take the case of a Capital Levy of 25 per cent. on a man's whole fortune above £5000—the happy sum which a man may apparently own without either a qualm or a tax, a sum which a cynic has wickedly declared shows that the Chiefs of the Labour Party are fairly "comfortably off" after all. Let us, as well as we can, trace the exact practical results of

the summons to every man over the datum line to surrender a fourth of his total wealth of all kinds. The first thing that would happen would be a universal valuation. The biggest guessing competition the world has ever seen would be the order of the day, for, remember, valuation is in the last resort only guessing. Nothing but the auction-room ascertains real values, and that often only on a particular day in a particular year.

> The real worth of anything
> Is just as much as it will bring,

and not a sworn valuer's shot at it, however skilful. And here it may be said parenthetically that this is why we have hitherto always taxed Income rather than Capital. The reason for doing so is a very simple one. Income values itself. Capital does not, and therefore you have to guess at its value. To put it in another way, it is always possible, granted that you can defeat perjury and other forms of dishonesty, to find out what is a man's Income, to discover what he has received, or what has been paid to his banking account, within a year. He has got it, or has had it, in his hand, and you can settle his contribution to the State in any way you will. You can ask for a quarter, or a third, or a half, or three-quarters of what he has received. The thing is merely a question of law and arithmetic when you

are taxing Income. When you tax Capital you are in a very different position. You have to make an estimate of, that is to make a guess at, the value of a man's property. Whereas Income, as we have said, values itself, it requires an army of guessers and counter-guessers to arrive at the money value of Capital. The exact amount of Income expressed in terms of cash is determinate. The exact amount of Capital so expressed is indeterminate. You can only guess what it will sell for; *i.e.* what is its value.

But this difficulty of knowing what is the value of land which has not been put up to auction or to any kind of sale for the last fifty or sixty years, or, again, of knowing what blood horses, or pearl necklaces, or Leonardo drawings, or pictures by Memling or Sir Joshua, will fetch, is as nothing compared with some of the other difficulties connected with a Capital Levy. Even if you entertain a blind belief in the capacity of Levison and Golding (late Goldburger), valuers for Probate Duty, to guess what Mr. Jones's property will fetch at auction at a particular moment, you are by no means out of the wood. If 25 per cent. of everybody's Capital is demanded on the 1st of January in one year, the vast majority of persons ordered to pay will have to sell stock, or land, or houses, or diamonds, or other valuable non-income-producing possessions, to meet the demand. But now comes in the trouble. Let us take a specific

case. Jones is a capitalist. When the valuers have made their valuation, they find that the Capital owned by him of all sorts amounts to £100,000. The levy on Capital is 25 per cent., and therefore he will have to pay £25,000. But Jones has not got this money in bullion or banknotes in his cellar or at the bank, and can produce it only in two ways—either by selling something or by borrowing the money from his banker or from some other person whose function it is to lend money. Now, if Jones were the only man paying a Capital Tax, or if he were one of a group which numbered only a thirtieth of the capitalists of the country, as in the case of Death Duties, there would be little trouble about the matter. Jones might feel himself an impoverished man, but he would be able to raise the necessary £25,000, either through his stockbroker or through his banker. But if everybody had got to raise the money at the same moment, Jones would find himself in Queer Street with a vengeance. When he went to his banker for a loan, the banker would say: "We are very sorry, but the total amount of money we are now in a position to lend is four millions. But by this morning's post we have had applications amounting to four hundred millions. If we lend to you, we should be obliged to ask 70 per cent. interest; but that, we admit, is impossible. We can only suggest that you should sell out stock—

say, your Railway Debentures." Jones would then repair to his broker; but it would be the same story in different words. The broker would say: "Unfortunately your Debentures, and indeed all Stocks, are quite unsalable. The price has dropped to such a point that the best British Railway Debenture Stock can now be purchased to pay 80 per cent., and yet there are practically no buyers, but only sellers. In fact, it is useless for you to think of selling when everybody else is trying to do the same. For our transactions there must be a seller and a buyer, and the buyer is for the moment an extinct mammal."

What is Jones to do? If he is a man of mental resource, he may possibly go off to the Tax Collector and say to him: "I cannot pay you that £25,000 in cash, because I cannot raise it. But I'll tell you what I will do. Here is the sworn valuation that the Government valuer made of my possessions in order to ascertain what I had to pay; *i.e.* the list of capital values which you accepted as the basis on which I was to be taxed. You will see that in the list there is a pearl necklace valued at £2000, and a diamond tiara also at £2000. That makes £4000. My collection of drawings from the Old Masters is put down at £2000, and my Raeburn of the Scots Judge at £6000. That makes £12,000 in all. There is a block of Railway Debentures down for £8000, and my house in the country is valued at £15,000,

which, less the mortgage of £10,000, is £5000. In all, these make £25,000. I propose to hand them over to the Government in lieu of cash. They surely cannot refuse. To do so would be to deny that the things are worth the sums which the Government valuer placed upon them only six weeks ago." What would be the answer of the Capital Tax Collector? In spite of Jones's logic, it would, I fear, be a flat refusal to take payment in kind. He would tell the embarrassed Capitalist that the State did not want diamonds or houses in the country. It wanted, and must have, money down. To this the Capitalist would have to reply: "Very well, then, come and take it. Perhaps you will be able to arrange a sale. All I know is that I can't." And very likely he would add: "Oh! by the way, I got a letter this very morning from the man to whom my country house is mortgaged. He says he must foreclose if he does not have his money out of me by Monday, as he has got to pay his Capital Levy. Thank Heaven it is you, not me, who'll have to deal with him now you've got Sindercombe. I wish you joy of him. He's a perfect beast!"

No doubt the pure Socialist would, if he were frank, say that all these objections I have raised are nothing to him, that he would be perfectly willing to see the nation paid in kind, and that he would go on taxing Capital at the rate of 25 per cent. per

annum, till the whole of the Capital of the country was taken out of the hands of individuals and lodged in the hands of the State. Those, however, who are not of this extreme kind, and who very possibly are not Socialists though converted to the idea of a Capital Levy, will probably say that they have a plan which will perfectly well meet all these difficulties. They will, of course, require a valuation of a man's property to ascertain what he is to pay, but they do not mean to force all holders of property to throw their goods upon the market at the same time. If a man likes to sell his stock and pay cash, they will give him a considerable discount for money down. If, on the other hand, he cannot avail himself of this offer, and clearly cannot sell his goods, then they will lend him the money with which to pay his taxes! They will not carry out this Utopian proposal directly, but by promising to lend to the bankers the money which the bankers will lend to the taxpayers for the payment of the Capital Levy.

Stick, stick, beat dog; Dog, dog, bite pig!

Of course, the individual subject of the Capital Levy must pay the bankers interest on their loan, as the bank must pay the Government.

But then, the plain man may surely ask, "How will things be any better if this is done on a big scale? The *raison d'être* of the Capital Levy as pro-

posed by responsible people is to pay off a large part of the National Debt. But what is the use of paying off the National Debt with one hand and borrowing money with the other in order to accomplish that transaction?" The answer, we suppose, to this apparent absurdity is that the Government, though they made a loan to the impecunious Capitalist, would not only force him to pay a higher rate of interest than that at which the Government now borrow, but would also insist that the loan should be only for a short time, and that the interest must always be accompanied by a good percentage of repayment instalment. In other words, the loan would only run for, say, at most twenty years. Those who think that they are going to get out of the difficulty in this way will find themselves vastly mistaken. They will find that they are simply spreading ruin wide throughout the land. There are literally thousands of private persons and business men who could not possibly pay this new tax for the next twenty years in addition to the present Income-tax, Super-tax, and Death Duties, let alone the plan for a more steeply graduated Income-tax which is part of the financial programme to which the Capital Levy belongs. It would destroy them.

The fact is that if the Government loan scheme is examined, the only possibility will be seen to be a loan for a very long period, with a very small annual

payment for Sinking Fund purposes, and a low rate of interest. But when all this had been worked out, plus the expense of a huge new Government Department with a Capital Levy Minister, we should find that all that would have happened would be an increase of the Income-tax under the *alias* of "Interest on Capital Levy Loan." If the Labour Party insist that people with over £5000 a year must pay more than they do at present—which is all that a Capital Levy means if scientifically considered, and if it is not intended for confiscation—they had far better increase the Income-tax. By that method they would get the money without creating a new debt to take the place of the old, and they would not indulge in costly collections.

Depend upon it, this is the worst possible method either of raising money or of dealing with the National Debt. If the National Debt is to be dealt with, as indeed it should be, I feel sure that the best way is on some such lines as the conversion of the Debt, voluntarily of course, into very long terminable annuities—into a ninety-years' lease instead of a freehold. By doing so we should set a term to our indebtedness, and we should not ruin ourselves by some mock-heroic effort at immediate payment. After all, the Debt is a great fact, and we shall not alter that fact by changing its name. Let us assume you take more money than now from the individual

in order to pay off debt, and then follow the transaction out in the concrete. You will soon see that you are not creating or saving extra wealth, but only altering its ownership. The individual sells out Railway Stock in order to pay a Government demand for reducing the National Debt. He next receives a portion of the sum—a certain amount will have been used up in the bureaucratic machine—as compensation for the cancellation of 25 per cent. of such Government Stocks as he holds. With this somewhat shrunken money he then goes back into the market and buys some more Railway Stock. Who on earth is going to be the better for this process? Granted we are not going to repudiate, which we certainly are not, it is better to leave the National Debt as it is than to indulge in any of these fantastic schemes. We shall not fall into the paradox of pretending that the National Debt is an economic advantage. It is, of course, a very unpleasant record of a loss. But it has one moral or political advantage. So long as the National Debt remains as it is, it will prevent any Government from borrowing more, and the less Governments borrow, whether in war or peace, the better.

III

REMEDIES FOR UNEMPLOYED

The only scientific and therefore, in the last resort, the only sound way of getting rid of unemployment is to improve trade. That is another way of saying: Obtain a larger interchange of goods, and therefore obtain more production and at a cheaper rate. But the thing which does most to prevent more and cheaper production, and therefore more exchanges, is heavy taxation. The reduction of taxation by, say, a hundred millions a year would be nothing more nor less than a subsidy of a hundred millions to trade. And the subsidy would be applied in the right way, in the right places, to the right people, and at the right time. That is more than can be said of most Government subsidies. But though this is the common sense of the unemployment problem, we are bound to admit that in the circumstances in which we now are, and in view of the feeling of the mass of mankind in regard to the principles of Economics, and considering also that it would take time to retrace our tracks down the wrong road, we must apply some immediate remedy. Even when a

remedy offers no permanent cure it must be sometimes used, just as a physician uses alcohol to prevent collapse and to tide his patient over a temporary failure of some bodily function. People must not be allowed to die while a prolonged adjustment is going on. But there is no reason, because it is necessary to adopt an immediate remedy for unemployment, why it should be done without reflection or thought of consequences. Because we have got to go a little wild, we need not go stark mad.

In regard to unemployment, there are certain principles which have been discovered during the past one hundred and fifty years by practical experience. They are:—

1. Pure doles—that is, doles without any work, such as often obtained under the old Poor Law—are highly demoralising to the recipients and are apt to upset the nice balances and adjustments in industry and the rate of wages in almost every trade.

2. What may be called the unnatural direct employment of labour by the State, either in its national or its local aspect, is also almost sure to upset the economic balance.

3. Subsidised trades soon draw away labour from other trades and upset the balance.

4. A serious objection to "making work" is that when things are beginning to look better, and when, therefore, Government works ought to be stopped,

there is always a great deal of difficulty in stopping them. There are too many people interested in keeping them on, and these soon find ingenious excuses for the retention of industries which it is said will "soon become self-supporting."

5. The only effectual way of meeting the difficulties raised by drawing away labour from other trades, and by setting up non-self-supporting industries which will clamour to be continued even after trade has revived, is to make the pay for work given to prevent the consequences of unemployment less than that of legitimate economic work. Everybody will try to get out of such low-paid work as soon as possible. But work for the unemployed which is "made" or "found" and is not entered on because some one really wants the product, is almost certain to have no heart in it. As Nassau Senior, the economist, said at the time of the new Poor Law, all forms of forced labour, slave labour, convict labour, or what he called parish labour, by which he meant labour that a man was compelled to do if he claimed to be supported by the parish, are always conspicuous for one thing—they have no economic output. It is, indeed, as often as not, found cheaper to pay the unemployed man a dole than to set him on work, though, of course, it was always necessary to make him do some work in order to prevent the demoralisation of idleness.

But although these considerations are perfectly sound, something has got to be done. What is it to be? Surely the best form of unemployment work is not work at ordinary trades or for ordinary production, but work undertaken under schemes which, though they may be of great indirect benefit to the nation and may greatly increase the amenities of the country and may help to improve our health and our happiness, cannot be justified economically. Such schemes, it must be understood, as it would not pay any one to undertake in normal times. All the same these things, though they will never pay, can be very useful.

Indeed good can be said of them partly because of the results, and partly because they are not hopeless and degrading like useless penal work, but may very legitimately become a source of pride to the doers. The people of Egypt were every year unemployed during a part of the year, and therefore the Pharaohs chose that time to carry out enormous public works, some of them very useful and some of them very ornamental, and some of them, like the Pyramids, magnificent only for their vastness.

The unemployed should be required to do what corresponds to that which a private individual does in his house, or in his back garden, or on his farm, when the weather or some other cause makes it impossible for him to do his regular work. It does

not pay him to do it—*i.e.* it would be a great loss to him if he were to take himself off regular work in order to do it—but if it can be done as the alternative to mooning about and cursing the conditions which make regular work impossible, it is often highly beneficial.

With England the first and most obvious thing to do on what may be called Pyramid lines is the improvement of our roads. Transport is one of the first pieces of mechanism in modern industry and indeed in civilisation. It is not too much to say that transport is the life-blood of modern industry. Though railways, ships, and even flying machines may do a great deal in the way of transport, the chief factor in transport will always be the road with the wheeled vehicle on the road. That this must be so can easily be shown. We live on roads and not on railways. The first thing that a man has to do when he builds a house in a field is to connect it by a road to the other roads of the country. Then the blood of the social organism will circulate, and the dweller in the house can live. Nothing, then, would make life easier, and for the poorer part of the community pleasanter, and again nothing would ultimately help more for the better distribution of our population and the breaking down of the great urban aggregations of population, than an improved system of roads. But if, in ordinary times, the Government

were to undertake them on a great scale and all at once, and pay the kind of wages necessary, the whole trade of the country would be upset. In other words, either it would be impossible to get the roads made, or everybody would want to go upon the road jobs and leave the mines, shipping, and all the other industries comparatively derelict. Obviously, then, the improvement of the roads is just the thing for a period of unemployment. It is work that can be found near almost everybody's home, or, at any rate, with the aid of motor lorries and omnibuses, it can be made accessible to men from their homes, and does not need the building of new towns and villages. It is not difficult to enumerate all the special advantages of road construction and development at times of unemployment.

Road-making, though it would be begging the question to call it unskilled, is, like digging trenches or making railways in a war zone, work which people, if they do not deliberately shirk work, can learn in a very few days. No doubt the road surveyors and contractors who deal with this kind of work would say that such a statement is utterly wrong. They would insist that it would be far better and cheaper in the end to have bodies of highly skilled navvies to do the work than a lot of out-of-work compositors, calico printers, boot factory hands, and other unemployed. Certainly it would be; but that is not

the problem. The question is, if you have got to pay a certain number of persons, say, thirty shillings a week in any case, whether it is not better to let them work rather than let their manual power run wholly to waste. No doubt it is a great worry and trouble to marshal uninterested workers, but the thing can be done in civil life just as it can be done in the Army if the simple arts of organisation are not neglected.

There is no more skill required in the greater part of road-making than there is in Army work. If our enlisted men were good enough to fight the Germans and to carry out the complicated duties of an infantry soldier or gunner, or engineer, or member of the A.S.C., our unemployed are quite capable of doing road work, even if they have not all the thews and sinews of navvies. The work is open-air work, and will neither degrade nor injure the worker, but rather will improve his health as much as the Army life improved it in those lucky enough not to suffer wounds or disease. Of course, it will be quite possible for the statistician to say that the trained navvy could do more efficient work than the untrained, and that therefore unemployed labour is not economical and so forth, but we venture to say that such talk is wholly illusory. In the matter of organisation piece-work should wherever possible be adopted. Who does not remember the famous Millbank example

where men, stacking bricks and stones, did four times the amount of work when they were paid so much per hundred bricks piled than they did when they were paid by the hour or day.

Next, no doubt there might be three categories among the persons who, for various reasons, can only be employed by the hour. They might be easily classed as first, second, and third-class workers, and paid accordingly. Below them there should be a class of "unemployables," though one would try to find a less aggressive name for them. Into this class the men who were trying hard not to work would be put. No doubt it would be difficult to find foremen and other officials to carry out the necessary selection with perfect accuracy and justice. Nothing can take the place of the beneficial knowledge that people are working for a profit, and that they are among the profit-sharers. Still, with no doubt a little trouble this "Ca' canny" might be partially, if not wholly, banished from work for the unemployed and left to what is often believed to be its more legitimate form of action, the preventing of Capital earning a living wage, through old businesses being extended or new businesses being started.

Certainly the road-making should prove interesting; and though of course the writer of this book accepts all the economic views as to the need for the maximum use of machinery in ordinary work, he is

not sure that a partial return to hand labour in this special case would be inadvisable. When roads are being made on economic lines, the contractor, of course, will employ every sort of patent excavator; but all these things cost money. The State would always buy them badly and dearly, and therefore it remains to be seen whether plain pick and spade and wheelbarrow labour would not prove as cheap in the case of the unemployed. If the gradient on New Hanger Hill has got to be reduced from 1 in 6 to 1 in 20, it might conceivably prove quite as cheap to turn, say, two hundred men upon it without machinery, as for the Great Pedlington District Council to insist on buying the very best patent machinery and getting it from a relation of one of the councillors "at a very reasonable price." When these machines had done their sole work on New Hanger Hill, they would probably be left to rust "in case the Council should want them again."

It is not necessary to dwell upon the usefulness of roads; but clearly, if all our chief roads were as wide as, say, the Great North Road, and were not half put out of action by an occasional impossible hill, and again were not made death traps by blind corners—in fact, if our roads were, as they ought to be, made safe for motor omnibuses throughout the length and breadth of the land—we should have done a great deal to improve not merely pleasure

conditions but also industrial conditions. There is room, too, for new switch roads, which, without any harm to the village or town, but rather with advantage to it, could deflect the traffic from the crowded main street. That street is and always will be a playing-place for a great many of the inhabitants, old and young. The main street ought not to be a raging, tearing, highway, forced to bear traffic which does not help the village or small country town because it goes through unregardingly, only thinking of its goal some fifty miles away. Then, we need one or two great new arterial roads which will help to make our road-borne traffic quick and efficient.

Further—this seems a small point, but it is a most important one—every three or four miles on the roads in the greater part of England there is a hill, often quite a small hill, but with a gradient so sharp that it gives what can fairly be described as a serious wound to traffic. There are many small producers or tradesmen who could get their goods to and from market comparatively cheaply but for a hundred or a hundred and fifty yards of bad hill between town and door, or station and door. This bad gradient either requires stronger horses or smaller carts, or, worst of all, more expensive motors and a larger consumption of petrol. The trouble is not very visible, but if there could be a notice-board by many of these badly graded hills saying what each

car had expended in extra wear and tear and extra petrol, and what the loss on the other forms of transport had been, the world would be amazed at the huge tribute extorted by the hills. But that would not be the only "Waste Notice Board" upon the hills. There would be another recording almost as big a sum which would be labelled "Waste in road repair caused by steep gradients." The steepness of our hills prevents the road material staying upon the hill in times of bad weather. Many of our hills are water-courses in a storm. The water rushes down them in a torrent and wears away even a tarred surface. Next, the hoofs of the draft animals and the wheels cut more deeply going up and down steep inclines than they do on the flat. Generally, the wear and tear, and therefore the repair of the bad gradient, are excessive.

One of the advantages of road-making is that it is very easy to withdraw the workers. The closing of public works is, as a rule, an agony, but road improvements can in many cases be left half finished for the next trade depression without any great injury. It may seem a pity when you are going on a hundred miles journey to go forty miles of it on a beautifully planned road, with gradients such as Napoleon made on the Simplon, and the rest of your sixty miles on an old, narrow, curving, slap-uphill charging, water-course road. But, after all, it is

better to have forty good miles out of the hundred than to have the whole of the hundred devoured by bad miles.

Another non-economic improvement, which would be very useful, would be the digging of ship canals in well-selected places; or again, the damming and canalisation of tidal rivers, so as to render them capable of bringing sea-going ships of, say, a thousand tons or so, right into the very heart of the land. To put an inland place in touch with the ports of the world without the breaking of bulk is industrially a real achievement. There are hundreds of creeks and rivers in which this ideal might be carried out. Then, of course, there are the great ship canal schemes like that between the Clyde and the Firth of Forth, or that other very attractive proposal for running a ship canal up the course of the Axe at Bridgwater, through Somersetshire and Dorset, to the Channel.

Then there is another form of activity which is as widely applicable as road-making and even more the burning need of the hour. It is house-building. But this means, again, more road-making.

England and Scotland at least need a million new houses. But every one knows these houses are not being built, either because there is a positive shortage of labour, or else because those whose manual work is the building of houses do not, for various strange reasons, care to practise except at a minimum rate

of production. A man who could quite easily lay 1200 bricks a day is precluded by the practice of his craft from laying more than 350. Perhaps the best —if not the only—practical point made by the Labour Party in the first session of the present Parliament was the obvious lesson to be drawn from the double need of employment and of houses. But they cannot expect the Government to take up another housing scheme without the assurance that the Unions will not again wreck it by their "Ca' canny"—in return for which the Government might obtain a corresponding pledge from those who supply building materials not to create another "Corner."

In these circumstances, and in view of the great want of employment among many well-educated and industrious men, it is obvious that these unemployed should be set to work forthwith on building the houses which we all need.

"But," it will be said, "how can they build houses? That is skilled labour and they are unskilled men, or, at any rate, unskilled in house-building." The reply of course is, "Train them." When this process of training is begun it will be found that in most cases it will take much less time to teach them to do competently, if not with exquisite perfection, the work of house-building than it does to drill and train a soldier. A very stupid or a wholly uneducated man will no doubt be a long time in learning, but the

educated man, such a man, for instance, as an ex-officer or ex-N.C.O., or any man who has had a secondary education, and most men who have had a primary education, will learn brick-laying in a month or six weeks. During a good deal of the learning period the novice will be quite capable of doing useful work—provided always, of course, that he has somebody to point out his mistakes or prevent him trying those attractive short cuts which experience has shown don't pay. Learning to mix mortar and other things of that kind will prove plain sailing to the educated man. So will a good deal of rough carpentry.

The greater part of the new houses that are wanted are small houses in which the more daring acts of the brick-layer, of the mason, and of the carpenter are "not in the Bill." No doubt it wants a lot of experience in brick-laying to build some slender campanile or some factory chimney, or to do the intricate work inside a theatre, with its wide spans and pillars set upon nothing, or upon a ledge which will just bear them if the thing is done with exquisite precision, but will tumble down when put up by somebody who has not got the subtle trick of helping the architect to violate the theory of strains. In building the rural cottage or small town house, however, such delightful legerdemain is not required.

The writer is not talking through his hat. In

America, in the Dominions, and in the overseas world generally, many men build the houses in which they live. The tremendous mystic and ritual line drawn between the various crafts and forms of construction is a portent of hyper-civilisation. When people are building a house, or a warehouse, or a railway station *in partibus infidelium*, any sensible white man who comes along and offers his service, though he has never laid bricks before in his life, is soon set to work. But even if this were not so, there are several forms of building that can be adopted, such as concrete construction and *pisé de terre*, which obviously require only muscular strength and common sense, and demand little or no training.

There is yet another project which at a time of depression might legitimately be carried out. Why should there not be a clean up of the air, or, at any rate, an experiment to see whether the cleaning up is possible? Many people now assert that it is. The exponents of the low temperature carbonisation of coal declare that, if Parliament absolutely forbade people to burn raw coal in their grates and deluge the air with the waste products of an imperfect combustion, the results would be most beneficial to the State. The coal before it got into our grates would be treated by a simple and easy process which would extract the benzol and power alcohol in sufficient quantities to run all our motors and most of our

steamships at far cheaper rates than are possible with petrol. Again, a great quantity of gas of reasonable calorific value and of very great illuminative power would be secured. Next, there would be several other valuable products which are now sent up the chimney in smoke. These poison the air and rust our metals without filling our pockets. A kind of glorified coke would be produced during the extraction of the by-products. This glorified coke would not be the cindery stuff which people in a hurry declare they cannot get to burn in an ordinary grate, but an excellent smokeless fuel throwing out a great deal of heat, producing practically no ashes, and capable of "burning in open fires" and heating rooms. In fact, the new coke would provide an ideal house and kitchen fuel.

It is possible that all this is theory and not fact. It may be that, though all these things could be done, to do them would prove so expensive that the nation would have to go out of business if it insisted on the low temperature carbonisation of coal. That, no doubt, is a very obvious view for an owner of coal mines, or for the man engaged in the oil industry or in the old coke industry, to entertain. He is the man in possession of the existing system. He does not want to find large sums of new capital to start a new system.

Suppose, however, that the Government were to

erect the plant of low temperature carbonisation on a big scale and to try the experiment of mass production. Probably they would not make a profit out of it. No Government has ever succeeded in doing that except by accident. They might, however, show other people how a profit could be made if the zest of private enterprise were added and the free stroke were substituted for the Government stroke. Here remember that if the road to success could in this matter be pointed by a big experiment, we should have done an immense deal to help trade and industry, and to improve the health and happiness of the community. Imagine London and the great industrial smoke-laden areas of the north with skies through which the sun could pour its rays undefiled!

IV

THE PROBLEM OF THE DEBT

Our first duty towards the public creditor is to determine that, come what may, the nation shall pay its Debt and keep faith with those who have helped it. That is not merely the path of honour and truth. It is the path of safety. If we were to repudiate the Debt, or to indulge in any policy which partook of the nature of repudiation, the ruin of the nation would be assured. We should break the confidence upon which our economic strength is founded, and with that break in confidence would come a commercial ruin which would literally mean for us a famine and an agony as great as, but even more intensified than, that which now holds Russia in its grip. The talk about the weight of the Debt is greatly exaggerated. We can endure it perfectly well if we have the strength of character to face it, and not to be frightened at its portentous figures. The vast Debt means no doubt very heavy taxation for all classes, and that of course is a burden, but it is a burden which can be borne. Meanwhile the paying of the Debt means economically a transfer of property from the old property-holders to the new

property-holders, and also new types of property, rather than a destruction of property. Proof of this is to be found in the fact that the value of almost all shares with fixed rates of interest, like Consols and Debentures, has fallen enormously, and that the rate of interest obtainable by the man who is content with *reasonable and moderate security is nearly double what it used to be.*

Speaking generally, and subject to the rule that there can be no absolute statement on the matter, it is true to say that the expenditure of each year of the war was paid for in that year by extra efforts and by the stopping of expenditure on other things and other investments. All savings went into the war, either in loans or in increased taxation, and therefore what we are faced with is rather a differentiation in the holding of the capital of the nation and in its nature and amount than a dead loss. Many people are poorer and many people are richer, but, granted that we honestly go on paying our debts and go on working steadily, in spite of unemployment doles, we shall, when regarded as a national unit, recover from this war as we have recovered from previous wars.

The foregoing would seem to be an argument for not bothering about the National Debt, but for regarding it with that kind of fatuous satisfaction with which our forbears regarded it—a satisfaction reflected in the celebrated passage in Macaulay where

he talks about the benefits of the National Debt, and about the charming houses in the suburbs to which the debtholders retire, houses embowered, he goes on to say something in this fashion, "in their gay little paradises of lilac and laburnum." People might expect us, in fact, to be quite pleased that the "gay little paradises" have been increased by the difference between £800,000,000 and £8,000,000,000 of national indebtedness. All the same, it would be well to see the burden of the National Debt reduced, and some scheme arranged under which redemption will take place. The need for such a scheme is very apparent. Extremely high taxation such as we now have is a waste and therefore an evil, and it is inevitable that the activities of the State and of the Municipality will largely increase in the future, which simply means more borrowing. But if we borrow more and do not pay off, that would mean a further large rise in the rate of interest and an injury to private enterprise owing to the absorption of the Money Market by Government transactions. In view of these considerations, it is essential that the Debt problem should be tackled in earnest.

There is no need to indulge in the metaphysics of the Sinking Fund. Indeed, elaborate statutory Sinking Funds are of little good, because they are almost certain to be suspended, indeed are bound to be suspended, in case of any great national need.

Further, the old system of piecemeal redemption, for such it really was, cannot be described as satisfactory. It amounted to this—when the Government had got a realised surplus, they went into the market and bought out a certain amount of Consols, thus tending always to raise prices against themselves. Far more attractive is the system which was favoured by Pitt, though he was not able to carry it out, a system which does not exactly create a Sinking Fund, though it partakes of that nature, which is, above all, automatic in its action, and yet does not impose an intolerable burden on the men and women of the present for the benefit of the men and women of the future. What should have been done before now, is to adopt a system of borrowing in terminable rather than in perpetual annuities. We could have done this if we had chosen, and we could do it even now for a very large portion of the Debt. It is one of the commonplace paradoxes, or, to speak more accurately, facts, of our economic life that a man will pay practically as good a price for a ninety-nine-years' lease as he will for a freehold. We all remember the young wife in *Punch* with a baby on her knee, to whom comes her husband with the news that he has just bought a ninety-nine-years' lease of their new house. Instead of the mother being as delighted as the father at the signing of the deeds, she exclaims: "Oh, how terrible! Think of poor Baby being turned

out when he is ninety-nine, and very likely ill as well as old!" The ordinary man, however, has a less vivid imagination, and to him, if he can secure his property for ninety-nine years, there seems little need to bother about what is going to happen after that date.

In all probability then, if the State had only offered to borrow on the principle of the London lease-holds —*i.e.* for ninety-nine years rather than for perpetuity —it would have got almost as good terms as it actually did get. It could easily have shown the prospective lender that it was doing him no injury by its offer. The State would say: "Don't be alarmed at your annuity coming to an end in ninety-nine years. There will be practically no depreciation in the first thirty-five years, and after that the depreciation will be so gradual that you and your heirs will not notice it. Besides, if you are scrupulous about the matter, you have only got to make a Sinking Fund. This can be easily arranged for you. At the present high rate at which money can be invested, only a very small sum a year has got to be put aside to make a fund which in a hundred years will produce £100."

If the Government were to add, say, one-tenth of £1 to the existing interest given on every £100 of the Debt, but at the same time to turn the perpetual annuity into an annuity for one hundred years, they would be doing no harm to the creditor of the State;

that is, they would be keeping their bond with him, only as it were returning him a small piece of the loan each year. The figures, of course, are so big that even the addition of only 2s. to the interest paid on every £100 throughout £6,000,000,000 of the National Debt would increase the burden of the Debt by, say, £6,000,000 a year; but that, it must be admitted, would not be a very large amount to devote every year to the repayment of the Debt. Yet it would be sufficient. For the first thirty-five years no doubt we should appear to be doing nothing in the way of reducing the capital sum of the Debt. But as soon as the National Debt had only sixty-five years to run, the Government would begin to find a certain relaxation; and by the time there were only thirty years of the terminable annuities to run, it would be extremely easy to deal with them in such a way as to reduce the burden of interest. Large sums of money could be raised to get an extension of, say, another twenty years, just as is done in the case of Crown leaseholds. And here it may be noted that as long as the present rate of taxation was maintained in Income-tax, Super-tax, and Death Duties, the burden of the State in increasing the rate of interest, though nominally £6,000,000, would not really be more than, say, some £3,000,000 a year. That, however, is a somewhat delusive, and therefore dangerous, form of calculation.

The point may be made more clear to the plain man by another method of exposition. Let him turn in any book of reference to the section which deals with savings, compound interest, and the making of Sinking Funds, and he will probably find a table headed "Present Value of a Lease Freehold or Annuity." The table will tell him what is the present value of an annuity of £1 accumulated at various rates of interest for a varying number of years. If he takes the 6 per cent. table, he will find that a terminable annuity of £1 which is to finish in a hundred years is worth £16.62; whereas a perpetual annuity of £1 is only worth £16.66.

If a Government were converted in principle to this scheme of abandoning formal Sinking Funds, or the purchase of the State's own stock spasmodically or at regular intervals, what is the method on which they should act? Whenever one of the fixed periods provided in one of the new contracts with the State creditor arrived, whether in the case of actual War Loan, Savings Certificates, or War Bonds, the Government should say to the State creditor: "We propose, instead of funding your £100 Bond or £100 block of War Loan by giving you a perpetual annuity, to give you a terminable annuity for one hundred years. In addition to giving you 5½ per cent. on each £100, we shall add one-tenth of a pound to each annual payment of interest to you. If you are dissatisfied

with this arrangement, you can make out of the extra interest a Sinking Fund for yourself. And if you say this is not fair we will set up a Statutory Commission entitled 'The Sinking Fund Commission,' which will undertake the work of founding a Sinking Fund for you, provided you give us an order to pay the extra rate of interest to the said Commissioners rather than to yourself."

Another, and perhaps a better way (for the absolute necessity of maintaining complete faith with the national creditor must be the first consideration in this matter) would be to tell him that he can still have a perpetual bond if he wishes it. In that case, however, a strong appeal could be made to all patriotic people to take the terminable annuity rather than force the Government to issue perpetual stock. If the able men who used to arrange the Loan Advertisements were to put the matter plainly before the public as a patriotic duty, there would be, most probably, a general willingness to fall in with the Government scheme, and to accept without any further demur, as a complete carrying out of the State's bargain, the amount of additional interest required to amortise the Loan in a hundred years, and so to do all, to use a Hibernianism, that the silent voices of posterity can demand from us.

Again, it might be suggested in regard to the Loan that in addition to using the ninety-nine-year or

hundred-year terminable annuities, the Government should introduce an attractive form of short terminable annuities, with high rates of interest, and again popularise these by a wide system of advertisement. The increasing Death Duties are turning men's minds very much to the purchase of annuities, and it is just as well that the Government should have a share in, and benefit by, this new development as well as the insurance companies. The Government should not merely sell life annuities, or annuities for a fixed term, but should also sell what would prove very popular—*i.e.* annuities which should run for life or for a fixed term of years, whichever should be the longer. No doubt a good many childless men, or men who had provided otherwise for their wives and children, would be very willing to give up their capital in exchange for a life annuity under an attractive form of interest, especially if they knew that by doing so they were helping to diminish the National Debt. When the life annuity fell in the money should pass, not into the general Exchequer, but to the Commissioner for the Reduction of National Debt. This is of course a form of amortisation which has long been in use. At any rate the great engine of publicity, which the Government so fully developed during the war, could be employed in the work of Loan reduction.

PART IV

CHARITY, TRUE AND FALSE

I

THE C.O.S.

It would be difficult, perhaps impossible, to exaggerate the value of that most useful, most well managed, and, if properly understood, most inspiring of public bodies—the Charity Organisation Society. It is an organisation which, in truth, needs no apology for its work, but only gratitude for its splendid achievement.

The C.O.S. has but one fault, and that is one which calls for sympathy rather than reprobation, even though it is a fault that should be mended. The C.O.S. does not blow its own trumpet, does not advertise itself—a reticence too virtuous to be permissible in a wicked world. Worse, it does not take sufficient trouble to make people in general understand what is its true position. It does not answer its enemies. To this day there are thousands of people who think that the main object of the C.O.S. is to prevent people from wasting their money and their time in helping their fellow-creatures. There is a legend, of course apocryphal, that about 1820 a Church of

England Catechism was published in which the question, "What are the main aims and objects of the Church?" was answered as follows: "To protect the property of the rich and to repress the vices of the poor." There are plenty of people who believe, or pretend to believe, that this represents the considered view of the C.O.S. No doubt persons so maliciously foolish as this are in a minority, but there are a number of others who hold views almost as erroneous. They sincerely believe that the C.O.S. is some sort of cold, hard, statistical body whose object it is to prevent anybody being carried away by the passion of human feeling and sympathy. They represent the C.O.S. as a sort of spectacled and slightly shrivelled archangel who stands by public men and says, "*Beware! Don't be precipitate. Keep your money tight in your pockets till you are quite sure that any effort is needed on your part to relieve distress.*"

As a matter of fact, this view is either a barefaced falsehood, or an idiotic parody of the Society's attitude. What the C.O.S. does is not to freeze or petrify the human heart, but to open it in wisdom and in faith. If we had to compress the spirit of the C.O.S. into one sentence, we should say that it was inspired by a passionate desire to prevent that most terrible of disasters, nay, crimes, the manufacture of paupers —the manufacture, that is, of economic and often, alas! of moral imbeciles out of the raw material of

men and women. A pauper, if any person will really take the trouble to look at him closely, is a human wreck, and yet this wreckage is being perpetually produced by a careless, unwise, and ill-judged distribution of so-called charity. What is even worse, this dreadful pauperisation is carried on by means of legislation; sometimes inspired by sentimentality; sometimes by panic; and sometimes even at the bidding of insidious conspirators, whose aim it is to produce that revolution they desire through the ruin of the finance and the economic credit of the State. A nation of pauperised men and women is, they rightly feel, a good foundation for the Slave State which is the ideal of the Communist and the Bolshevik. Against this shameful unmaking of men and making of paupers the C.O.S. carries on a ceaseless war. And what nobler, more inspiring crusade could there be? The devoted men and women who give their lives to the work of the C.O.S., without stint and without hope of reward, are as surely saving the nation as did the brave men who fought for us in the trenches or the women who worked for us in the wards.

Incidentally, the C.O.S. unmasks the fraudulent villains who trade upon the sentiment and generosity of mankind. Larger work, however, and the work no one else undertakes, is preventing either the individual or the State from pauperising. It keeps before

us that admirable warning, "There would be no need of laws to provide for distress if there were no laws to produce it." Yet this, though a great work, is the negative side of the C.O.S. The positive side is quite as great and, for many people, even more inspiring. It involves the direct relief of persons who are destitute, ill, and suffering by a patient sympathy and by an exhaustive and scientific study of all the circumstances of each case, and then by an equally patient and sympathetic organisation or calling into existence of what may be termed the natural and proper creative and vitalised forces of relief. When the C.O.S. takes up a case—and it never ceases taking cases up—it finds out first whether it is a genuine one or a fraud, whether the man is really destitute or only proclaiming himself destitute like the tramp who said to the old lady *after* she had given him two half-crowns, "I want to avoid, madam, what I dread more than anything else in the world, and that is, having to do a day's work."

Having once ascertained that the case is one for relief, the Society never hesitates to apply its rule that the assistance which it believes to be due must be adequate. Mere temporary subsidies or other palliatives never receive its sanction. It is in this work of finding out who ought to be helped and who ought to help, and organising the help into adequate relief, that the C.O.S. excels. The present writer has

again and again seen examples of men or families given a new start where help has been produced apparently out of nowhere, or, at any rate, from places which at first sight seemed hopeless. This miracle has been accomplished by the patience and good sense of the officers of the C.O.S. A man and his family are destitute, helpless and sick, and he is himself out of work, and very possibly too ill at the time to get any work. The C.O.S. finds out, in the first place, that he has got some relations, though they are at first pronounced too poor to help him. When, however, it is represented to them that, though they could not find £1 a week, or anything like it, there are at least three relatives who would find a couple of shillings each—the scene undergoes a change. This would be no remedy if nothing else could be found, but if there are other sources of help, then the six shillings would be a very welcome addition.

Next, inquiry is made about former employment. It is often found that the firm in which the man was employed for a long time in past years regarded him as a good worker, and are willing to give a small grant, say two shillings a week for three years. Then it is possible that something may be done by paying up arrears in a club or fund, and so a half-lapsed benefit may be secured. It may also be found that there is a local fund or a special charity, of which

the man did not know himself, out of which a grant can properly be made. By these means it often happens that in a really deserving case some ten or twelve shillings a week can be put together. Further, some light work may be found for the man or some member of the family, or he may be relieved by the apprenticing of his children, or by sending the boys to a training ship or some industrial institution. Finally, having seen its way to getting ten or twelve shillings a week in this way for a period judged sufficient to restore the man to health or efficiency, the C.O.S. will often make a special appeal to its members or supporters. The result of such organisation by the use of sympathetic imagination will often save a man from becoming a pauper, though he has got to the very brink of the precipice or is, indeed, half over. What is more, it usually has a good effect on the man and his family by giving them heart and hope, and preventing them from throwing up their hands and letting themselves sink, without effort, into the ocean of pauperism.

Instead of forbidding the work of true charity, which is necessarily a work of love, the C.O.S. is insistent upon the duty of relatives, friends, or employers to help a good case.

There is another very common accusation against the Society—namely, that it asks questions that it has no right to ask. One is told with tragic earnest-

ness by gentlemen of the impostor tribe that they would rather die than submit to the indignity of answering the questions asked them by the C.O.S. officials. As a matter of fact, the C.O.S. asks no questions which any honest man or woman could justly regard as insulting or which it would not become them to answer. The only people to whom the questions would be "an outrage" are people who would be exposed to shame if they gave true answers or would exhibit themselves as perjurers if they gave false ones. Persons who refuse to have their cases investigated by the C.O.S. should never receive assistance.

People will ask where the C.O.S found its principles and who inspired them. It got them, though probably quite unconsciously, from one of the greatest of English-speaking men: that Scots divine with the mind and instinct of a philosopher, of an economist, and of a statesman, who yet was inspired with the deepest religious feeling, who was a Christian saint even more than he was a Hebrew prophet—Thomas Chalmers. It was of him, remember, that Carlyle prayed that "a voice so humane, so true and wise, may long be heard in this debate and attentively laid to heart on all sides."

Chalmers was the protagonist of Charity Organisation principles. He thundered them forth with a grandeur of language, a fearless inspiration, a magni-

ficence of pathos worthy of Isaiah. His heart burned within him as he thought of our dreadful commerce in human beings. He described how we traded and trafficked in affairs of moral death, how we took men and women, each capable of inspiring love and of loving others, and turned them into slavish paupers —first corrupting them by our wicked laws and then suffering them to corrupt us in return. Chalmers resented and denounced all proposals to let the State set up a huge legislative machinery, for grinding the faces of the poor till they lost individuality, energy, and all the moral qualities. He not only preached, but he practised. In his own parish in Glasgow—he was a parish minister—he showed how love, care, and sympathy could solve the problems of poverty and distress.

Like the C.O.S., he insisted, in season and out of season, that pauperism under normal conditions is a moral and not an economic evil, and requires a moral and not an economic remedy. With the passion almost of a poet he declared that every case could be relieved, and ought to be relieved, from one of the four fountains, as he called them—fountains frozen or dried up by the hand of legislation. The first of these fountains, and by far the most productive, he declared, was situated in the habits and the economies of the people themselves. The best thing was for a man to make provision himself against the ills of life.

But how difficult it is for a man to make such provision when he is always being told that the world will not let him starve, and that therefore he is a fool to save! The second fountain, stopped, Chalmers declared, by State aid, was the kindness of relatives. Family affection was one of the oldest and most powerful forces in the history of the human race, but we were rapidly destroying it. The third fountain was the natural sympathy of the rich for the poor, which was largely destroyed by State aid. The last and the greatest of the four fountains of relief was the sympathy of the poor for one another.

These are the four fountains which the C.O.S. does its best to keep running and to use, and nobly does it perform its office.

It can be truly said that it is essential to keep the C.O.S. in being, and not only to make it better known, but to let men see the noble spirit in which it works—a spirit capable of inspiring as great an enthusiasm as any cause in existence.

II

THE OLD POOR LAW

A FACT too often forgotten is that when we tried, and tried very thoroughly, a system of State Socialism in England, it proved a complete and disastrous failure. Under the old Poor Law, or let us say the latest developments of the old Poor Law, which existed roughly between the years 1800 and 1834, we had experience of an almost complete Socialistic system. The inhabitants of a parish till 1834 had an absolute claim upon the community for their support. Every man and woman in a parish could sing the pauper's song:—

> Then drive away sorrow and banish all care
> For the parish is bound to maintain us.

There was State endowment for the old, State endowment for the unemployed, and State endowment for motherhood. The more children a woman had, whether born in wedlock or not, the more she received at the hands of the State. The begetting of the children was, as it were, the only function left to the father. Unless the father was particularly anxious

to sacrifice himself to his offspring, his duties were performed by the community, with the result that there was a frightful increase in illegitimate births. Nothing comes out more strongly in that wonderful book, the *Report of the Poor Law Commission of* 1834, than the destruction of family life and family ties which was accomplished by the indiscriminate Poor Law relief of those days.

Here are the actual words of a notable passage in the Report of the Commissioners which deals with the appalling effect on family life and family feeling caused by indiscriminate poor relief:—

> The worst results (of the old Poor Law system of indiscriminate out-door relief), however, are still to be mentioned. In all ranks of society the great sources of happiness and virtue are the domestic affections, and this is particularly the case among those who have so few resources as the labouring classes. Now, pauperism seems to be an engine for the purpose of disconnecting each member of a family from all the others; of reducing all to the state of domesticated animals, fed, lodged, and provided for by the parish, without mutual dependence or mutual interest.
>
> "The effect of allowance," says Mr. Stuart, "is to weaken, if not to destroy, all the ties of affection between parent and child. Whenever a lad comes to earn wages, or to receive parish relief on his own account (and this, we must recollect, is at the age of fourteen), although he may continue to lodge with his parents, he does not throw his money into a common purse and board with them, but buys his own loaf and piece of bacon, which he devours

alone. The most disgraceful quarrels arise from mutual accusations of theft; and as the child knows that he has been nurtured at the expense of the parish, he has no filial attachment to his parents. The circumstances of the pauper stand in an inverted relation to those of every other rank in society. Instead of a family being a source of care, anxiety, and expense, for which he hopes to be rewarded by the filial return of assistance and support when they grow up, there is no period in his life in which he tastes less of solicitude, or in which he has the means of obtaining all the necessaries of life in greater abundance; but as he is always sure of maintenance, it is in general the practice to enjoy life when he can, and no thought is taken for the morrow. Those parents who are thoroughly degraded and demoralised by the effects of 'allowance' not only take no means to train up their children to habits of industry, but do their utmost to prevent their obtaining employment, lest it should come to the knowledge of the parish officers, and be laid hold of for the purpose of taking away the allowance."

Mr. Majendie states that at Thaxted mothers and children will not nurse each other in sickness unless they are paid for it. Mr. Power mentions the following circumstance as having occurred at Over, Cambridgeshire, a few days before his visit:—

"A widow with two children had been in the receipt of 3s. a week from the parish. She was enabled by this allowance and her own earnings to live very comfortably. She married a butcher. The allowance was continued. But the butcher and his bride came to the overseer and said, 'They were not going to keep those children for 3s. a week, and that if a further allowance was not made *they should turn them out of doors* and throw them on the parish altogether.' The overseer resisted. The butcher appealed to the bench, who recommended him to make the

best arrangement he could, as the parish was obliged to support the children."

"Those whose minds," says Messrs. Wrottesley and Cameron, "have been moulded by the operation of the Poor Laws appear not to have the slightest scruple in asking to be paid for the performance of those domestic duties which the most brutal savages are in general willing to render gratuitously to their own kindred. 'Why should I tend my sick and aged parents, when the parish is bound to do it? Or if I do perform the service, why should I excuse the parish, which is bound to pay for it?'"

. . . . . .

"At the time of my journey," says Mr. Cowell, "the acquaintance I had with the practical operation of the Poor Laws led me to suppose that the pressure of the sum annually raised upon the ratepayers, and its progressive increase, constituted the main inconvenience of the Poor Law system. *The experience of a very few weeks served to convince me that this evil, however great, sinks into insignificance when compared with the dreadful effects which the system produces on the morals and happiness of the lower orders.* It is as difficult to convey to the mind of the reader a true and faithful impression of the intensity and malignancy of the evil in this point of view, as it is by any description, however vivid, to give an adequate idea of the horrors of a shipwreck or a pestilence. *A person must converse with paupers, must enter workhouses, and examine the inmates, must attend at the parish pay-table, before he can form a just conception of the moral debasement which is the offspring of the present system; he must hear the pauper threaten to abandon his wife and family unless more money is allowed him—threaten to abandon an aged bedridden mother, to turn her out of his house and lay her down at the overseer's door, unless he is paid for giving her shelter;*

he must hear parents threatening to follow the same course with regard to their sick children; he must see mothers coming to receive the reward of their daughter's ignominy, and witness women in cottages quietly pointing out, without even being asked, which are their children by their husband and which by other men previous to marriage; and when he finds that he can scarcely step into a town or parish in any county without meeting with some instance or other of this character he will no longer consider the pecuniary pressure on the ratepayer as the first in the class of evils which the Poor Laws have entailed upon the community."

Another method of estimating the demoralisation caused by the absolute right to relief conferred by the old Poor Law is to be found in noting the difference between the independent labourers, as they were called, and the labourers who had a right to parish relief.

A man could claim relief only from his own parish. In order to make good that claim he had to show that he possessed what was called a settlement in the parish. A certain number of men, from various causes, such as having gone to other parts of England, lost their settlement, and so their claim upon any particular parish. They had therefore to rely upon their own efforts. The difference between such men and those who possessed the indefeasible right to relief was enormous. Several witnesses before the Poor Law Commission of 1834 declared that they could tell those who were called independent labourers

by the mere look on their faces, by the appearance of their families, or even by their houses—a striking illustration of Gray's famous line—

> And read their history in a nation's eyes.

Here is a striking piece of evidence comparing the independent labourers and the able-bodied paupers:—

"Have you ever compared the condition of the able-bodied pauper with the condition of the independent labourer?" "Yes. I have lately inquired into various cases of the labouring poor who receive parish relief; and, being perfectly acquainted with the cases of paupers generally, the contrast struck me forcibly. In the pauper's habitation you will find a strange show of misery and wretchedness; and those little articles of furniture which might by the least exertion imaginable wear an appearance of comfort are turned, as it were intentionally, the ugliest side outward. The children are dirty, and appear to be under no control. The clothes of both parents and children, in nine cases out of ten, are ragged, but evidently are so for the lack of the least attempt to make them otherwise; for I have very rarely found the clothes of a pauper with a patch put or a seam made upon them since new. Their mode of living, in all cases that I have known (except and always making the distinction between the determined pauper and the infirm and deserving poor, which cases are but comparatively few), is most improvident. It is difficult to get to a knowledge of particulars in their cases; but whatever provisions I have found, on visiting their habitations, have been of the best quality; and my inquiries among tradesmen, as butchers, chandlers, shop-

keepers, etc., have all been answered with: 'They will not have anything but the best.'

"In the habitation of the labouring man who receives no parish relief you will find (I have done so) even in the poorest an appearance of comfort; the articles of furniture, few and humble though they may be, have their best side seen, are arranged in something like order, and so as to produce the best appearance of which they are capable. The children appear under parental control; and are sent to school (if of that age); their clothes you will find patched and taken care of so as to make them wear as long a time as possible. There is a sense of moral feeling and moral dignity easily discerned. They purchase such food, and at such seasons, and in such quantities, as the most economical would approve of."

Another writer, Mr. Isaac Willis, collector of the Poor-rates in the parish of St. Mary, Stratford-le-Bow, London, spoke to the same effect:—

Are the two classes externally distinguishable in their persons, houses, or behaviour?—Yes, they are. I can easily distinguish them, and I think they might be distinguished by any one who paid attention to them. The independent labourer is comparatively clean in his person, his wife and children are clean, and the children go to school; the house is in better order and more cleanly. Those who depend on parish relief or on benefactions, on the contrary, are dirty in their persons and slothful in their habits; the children are allowed to go about the streets in a vagrant condition. The industrious labourers get their children out to service early. The pauper and charity-fed people do not care what becomes of their children. The man who earns his penny is always a better man in every way than the man who begs it.

Another London witness, Mr. Samuel Miller, assistant-overseer of St. Sepulchre's, London, testified as follows:–

In the course of my visits to the residences of the labouring people in our own and other parishes I have seen the apartments of those who remained independent, though they had no apparent means of getting more than those who were receiving relief from the parish, or so much as outdoor paupers. The difference in their appearance is most striking; I now almost immediately on the sight of a room, can tell whether it is the room of a pauper or of an independent labourer. I have frequently said to the wife of an independent labourer, "I can see by the neatness and cleanness of your place that you receive no relief from any parish." "No," they usually say, "and I hope we never shall." This is applicable not only to the paupers in the Metropolis, but it may be stated, from all I have seen elsewhere, and heard, that it is equally applicable to other places. The quantity of relief given to the paupers makes no difference with them as to cleanliness or comfort; in many instances very much the contrary. More money only produces more drunkenness. We have had frequent instances of persons being deprived of parochial relief from misconduct or otherwise, or, as the officers call it, "choked off the parish," during twelve months or more, and at the end of that time we have found them in a better condition than when they were receiving weekly relief.

Noteworthy, too, is the introductory passage of the Report which deals with the effects of the old Poor Law system on those not actually relieved:–

We have seen that one of the objects attempted by the present (1834) administration of the Poor Laws is to

repeal *pro tanto* that law of nature by which the effects of each man's improvidence or misconduct are borne by himself and his family. The effect of that attempt has been to repeal *pro tanto* the law by which each man and his family enjoy the benefit of his own prudence and virtue. *In abolishing punishment we equally abolish reward.* Under the operation of the scale system—the system which directs the overseers to *regulate* the incomes of the labourers according to their families—idleness, improvidence, or extravagance occasions no loss, and consequently diligence and economy can afford no gain. But to say merely that these virtues afford no gain is an inadequate expression; they are often the causes of absolute loss. We have seen that in many places the income derived from the parish for easy or nominal work, or, as it is most significantly termed, "in lieu of labour," actually exceeds that of the independent labourer; and even in those cases in which the relief-money only equals, or nearly approaches, the average rate of wages it is often better worth having, as the pauper requires less expensive diet and clothing than the hard-working man. In such places a man who does not possess either some property or an amount of skill which will ensure to him more than the average rate of wages, is, of course, a loser by preserving his independence. Even if he have some property, he is a loser, unless the aggregate of the income which it affords and of his wages equals what he would receive as a pauper.

It appears, accordingly, that when a parish has become pauperised the labourers are not only prodigal of their earnings, not only avoid accumulation, but even dispose of, and waste in debauchery, as soon as their families entitle them to allowance, any small properties which may have devolved on them, or which they may have saved in happier times. Self-respect, however, is not yet so utterly

destroyed among the English peasantry as to make this universal. Men are still to be found who would rather derive a smaller income from their own funds and their own exertions than beg a larger one from the parish. And in those cases in which the labourer's property is so considerable as to produce, when joined to his wages, an income exceeding parish pay, or the aggregate of wages and allowance, it is obviously his interest to remain independent.

Will it be believed that such is not merely the cruelty, but the folly of the ratepayers in many places that they prohibit this conduct—that they conspire to deny the man who, in defiance of the examples of all around him, has dared to save, and attempts to keep his savings, the permission to work for his bread? Such a statement appears so monstrous that we will substantiate it by some extracts from our evidence.

The importance of these extracts need not be emphasised. Before the Poor Law was reformed as a whole, single parishes would occasionally determine to reform themselves, and to give poor relief on strict principles and only after severe tests. The greater part of England at that time was under a system which can best be described as recognising the right of all men and women to be unemployed, and when unemployed to be maintained, if they chose, by the parish. The result was that the country swarmed with unemployed, and, as the witness notes, it was very generally thought impossible to get back to healthier conditions because trade was so bad. Yet, as the witness said, as soon as a parish left off paying

the unemployed, the unemployed ceased being out of work.

Mr. Baker (of Uley): "That it is not so difficult for them (persons unemployed and supported by the parish) to find work for themselves as it is generally believed to be, is proved from the shortness of the time that, with not above two or three exceptions, any able-bodied person has remained in the house; and by a list which has been made of more than 1000 persons who were on the parish books, and who now can be proved to be otherwise maintained, chiefly by their own exertions. The list shows what they used to receive, and for whom they now work. All who received parish pay before the workhouse was open are accounted for, excepting about eight or ten. Some few have left the parish, but not many. About 500 are now on the books, and most of those on reduced pay. I did not advise the introduction of the plan till I had read much, and till I had removed many doubts by private correspondence with those who had witnessed its beneficial effects for several years. Among these doubts the most important was, '*How, in the present scarcity of work, can those employ or support themselves who are now receiving parish pay?*' *The answer was: 'You will be surprised to find how soon the impossibility will dwindle down to an improbability, the improbability to a distant hope, and that again to complete success.' I was also told that industry and frugality would increase, and that crime would become less; but I never was told, nor had I the most distant hope, that the success would have been so complete.* When it began the poor were idle, insolent, and in a state bordering upon riot: they openly acknowledged that they would rather live on the parish pay in idleness than work for full labourers' wages, and when hired their behaviour was such that they could not be continued in work. Now all are

glad to get work. I employed many of them in the winter of 1830, and in the spring I let them go; but I promised them work again in the next winter, for which they expressed more gratitude than I expected: but when the winter came very few claimed my promise. *They were in work which they had found for themselves*, and in this winter, up to this time (5th December, 1832), only one person has asked me for work. There is one man at Uley whose character is, and ever has been, exceedingly bad, and, his feet being inverted, he is lame. He was allowed parish pay till very lately; he applied for an increase of it; he asserted no one would employ him, and I believed him. At a Vestry meeting, however, his pay was entirely taken off; he instantly found work for himself, and has lived by his labour ever since."

Another witness, Mr. Russell (of Swallowfield), made the following statement:—

The sum of this is that the labourers generally have the means of independent support within their reach, but that, except in a few instances of rare sobriety and providence, they will not of their own accord make the efforts necessary to command them. Of most of the men here described, I have said that they are good and diligent workmen. A want of ability and willingness to work, when work is given to them, is not among the faults of English labourers; and it cannot be expected that they will be at the trouble of finding work, if they can find support without it. They will not go in search of the meat of industry, if they can sit down and eat the bread of idleness. If you maintain them in doing nothing, and put the key of the beer-house into their hand, what right have you to complain that they are idle and dissolute?

Mrs. Park (wife of Mungo Park, the African explorer) gave this striking testimony:—

About two years ago the state of our workhouse (Gravesend) attracted my attention, from the condition in which I learned that it was during my inquiries respecting Mr. Park's patients, he being then the surgeon of the parish. There were then fifty females in the workhouse. Of these, twenty-seven were young, stout, active women, who were never employed in doing anything whatever. There were five of these young and able women who were accustomed to go to bed in the forenoon, solely to pass off the time.

Accordingly a committee of ladies was formed, who set about reforming the female side of the workhouse.

We wished to have the whole clothed in one way with gowns of blue linsey-woolsey, check aprons, dark handkerchiefs, and close white caps. After violent opposition from the mistress of the house and the females themselves, this was acceded to. Hitherto they had purchased the most gaudy prints for the females, and ready-made slop-shirts for the men in the house, whilst the young women were lying in bed idle. One of the paupers, a girl of eighteen years of age, who refused to work, was dressed in a dashing print dress of red and green, with *gigot* sleeves, a silk band, a large golden or gilt buckle, long gilt earrings, and a lace cap, turned up in front with bright ribbons, in the fashion of the day, and a high comb under the cap, and abundance of curls. A general order was given that the hair of the females should be braided and put under their caps, and no curls or curl-papers seen. . . . One effect of this partial discipline in the house was that in

almost two months about one-half of the workers left. Some of them called themselves widows: others said they did not come in to work; they merely came in until they could accommodate themselves, until they could get themselves another situation; but they would not remain to work, *indeed, that they would not;* they would take a room and keep themselves when they were out of place, sooner than put on a dress, and be made to work! One refractory person said: "The poor were not going to be oppressed by work."

Comment on such evidence is needless. There is, however, one point of special importance. It is sometimes said that the reform of the Poor Law succeeded only because it coincided with the building of the railways, and therefore with a sudden and immense demand for unskilled labour. But note that the examples cited deal with the period before the epoch of widespread railway construction. That did not set in till at least six years later.

Before leaving the *Report* it might be well to quote the following testimony as to the effect of lavish relief:—

Do you find any effect produced by men obtaining parochial relief readily when they are out of work, or have anything the matter with them?—I have always seen that men who have had parish relief have been very careless of work and of their money ever afterwards. It has also acted very mischievously on the benefit societies, as these men would never contribute to them.

III

THE NEW POOR LAW

It may possibly be of interest to turn from these half-century-old examples of the effect of promiscuous poor relief to an account of our present system and its effects.

The *Third Annual Report of the Ministry of Health* gives such an account, and from it we may judge whether human nature has changed enough since the middle of the last century to nullify the conclusions then reached on the workings of the old Poor Law.

The *Report*, which deals with the year 1921–22, is throughout a very interesting document. The part of it with which I wish to deal on the present occasion is Part 3: "Administration of the Poor Law." This section enables us to take stock of the present situation and to see how things stand. Especially important is such stocktaking just now, for under a variety of schemes, some half-fledged, some fully fledged, some only in the egg, we have set up a new system, intended to enable the State to play the part which the Roman Emperor of the decadence called

that of "universal benefactor," or, as some of us will say, universal pauperiser.

The first thing to be noted is that, while setting up new forms of Poor Relief (we do not call them so now, but our reticence in nomenclature does not alter the facts), we have not done away with the old system. True to our Constitutional methods, we have supplemented, not displaced. The Guardians, the Unions, and all the old official army are still with us, and watch the new recruits at work. Necessarily, therefore, there is a good deal of overlapping, or, to put it in another way, the would-be recipient of State help has quite a wide choice of the ways in which he can get relief. Further, if he is at all ingenious, he can mange to pick up simultaneous and concurrent relief from three or four sources, and so double, or even quadruple, the amount of his grant. This overlapping, of course, is by itself a serious matter. But what makes it terribly unfortunate at the present moment is that it involves a ghastly burden upon the taxpayer. And remember here that taxpayers are not the race of millionaires depicted in the Radical and Socialistic Press. Large numbers of them are almost, or indeed quite, as poor as many of the recipients of State charity. The difference between them is not an economic but a moral difference. One set of people value independence above all things; the other are content to be dependent.

Part 3, of which we have already spoken, begins with an ominous paragraph, headed "Administration of Poor Law—*Numbers Relieved.*" Here is the passage:—

The gradual increase in the number of persons in receipt of relief, which began in the middle of the financial year 1918–19 and was accelerated in the year 1920–21, had, at the beginning of the year under review, notwithstanding the diminished number in receipt of institutional relief, brought the numbers practically to the pre-war level. Indeed, the number of persons in receipt of domiciliary relief on the 26th March, 1921, was 449,612, a proportion of one in 84 of the estimated population, a total figure and a proportion which had not been previously exceeded since the coal dispute of March, 1912. The dispute in the coal-mining industry, which began on the 1st April, and ended on the 1st July, naturally led to a large increase in the numbers relieved. A notable feature of this increase was that in a number of Unions it was not gradual, but sudden, and followed immediately on the beginning of the dispute. From the end of March to the beginning of July there was a continuous and rapid increase of the total numbers relieved from 653,500, equivalent to one in 58 of the estimated population, to 1,363,121, equivalent to one in 28. The highest comparable number previously recorded was 1,105,234 about the 1st January, 1863, the time of the Cotton Famine. The only other years since 1849 in which over a million persons were in receipt of relief on or about the 1st January are 1864 and 1868–71 inclusive. The proportion of the population in receipt of relief had not been equalled since 1873. The conclusion of the dispute was marked by an immediate decline in numbers. But the fall barely exceeded half the increase of

the previous three months, and on the 6th August 931,389 persons were in receipt of relief. The more lasting effects of the dispute, coupled with the great depression in trade, the exhaustion of unemployment benefit, and the usual seasonal causes, checked the fall in numbers by the end of August, and by the 5th November 1,519,823 persons, or 156,702 more than on the 2nd July, were in receipt of relief.

The *Report* goes on to make a very significant comment:—

It is noteworthy that the number of persons in receipt of relief at the end of March, 1922, excluding the two classes mentioned at the end of the preceding paragraph, was 607,000 persons insured under the Unemployment Acts. The total number in receipt of relief at the end of the last financial year before the war was 644,000. There has in the interval been a considerable development under social legislation, as for example the increase in the rate of old age pensions, maternity and child welfare work, school feeding, and the schemes of national health and unemployment insurance.

In other words, our new system of relief has not, as most people, I think, had hoped, sidetracked the old Poor Law. The new doles are additional.

The next paragraph of special interest in the *Report* is that which deals with the policy of the Department. Here it is pleasant to note that the Poor Law experts at the Ministry of Health, whom the Ministry of Health took over from the Local Government Board,

are still strong in their adoption of what I might call Charity Organisation principles:—

(1) The amount of relief given in any case, while sufficient for the purposes of relieving distress, must of necessity be calculated on a lower scale than the earnings of the independent workman who is maintaining himself by his labour.

(2) Relief should not be given without full investigation of the circumstances of each applicant.

(3) The greater proportion of the relief given in the case of able-bodied applicants should be given in specified articles of kind, and in suitable cases it should be made a condition that the relief shall be repaid by the recipient.

These principles have their origin in the old *Poor Law Report* of 1834, and are primarily meant to combat the claim to an inherent and indefeasible right in the individual to demand that work shall be found for him. What that meant in practice was that it was not a man's own business, but the business of the State, to find him work.

Not content with pointing out what the Unions ought to do, attention is called to the errors of practice which are shown by the actions of many Unions. These errors are as follows:—

(1) Unwillingness to take proceedings in cases in which relief has been obtained by false statements;

(2) Failure to give in kind at least part of the relief of the able-bodied;

(3) Diversion of the relief staff from their duties of investigation by requiring them to undertake the checking and payment of tradesmen's bills for relief in kind;

(4) Failure so to increase temporarily the relief staff as to secure adequate investigation of applications for relief and the regular visitation of recipients;

(5) Failure to co-ordinate the work of relief committees and relieving officers, and to prevent their acting in practical independence in their several districts;

(6) Failure to adjust from time to time scales of relief (or income) so as to secure that the condition of the recipient of relief should continue, notwithstanding the general fall in wages and in the cost of living, to be less eligible than that of the independent workman.

A particular instance of this defect is found where an order is made for, *e.g.* £1 worth of groceries. For £1 considerably larger quantities can be purchased at the present time than was the case a year ago, but in some Unions the nominal amount of the order remains the same;

(7) Failure to take into consideration, in deciding whether relief should be granted, and to what extent, the whole of the resources actually available for the support of the household of which the applicant was the head or a member. Cases could be cited in which practically no account is taken of such resources, and in which relief is given though the other resources are such as to preclude any suggestion of destitution;

(8) The grant of relief to persons in full-time work. It is not disputed that in certain cases the net wages earned have been in fact insufficient to meet the needs of even a moderate-sized family, but it remains true that it is better in the long run, and in the interest of the workers themselves, to remove such a worker from the labour market, even if this means throwing the entire cost of his family's maintenance upon the poor rate;

(9) Failure to review with special investigation cases in which relief has been paid over a long series of weeks;

(10) In a certain number of Unions relief was given in the early part of the coal dispute to the miners themselves, and it was necessary to call the attention of the Guardians to the fact that, as the Minister was advised, such relief was unlawful. The Judgment of the Court of Appeal in Attorney-General *v.* Merthyr Tydfil (1900, 1 Ch. 516), under which this advice was given, was to the following effect:—

"Able-bodied men, who can, if they choose, obtain work which will enable them to maintain themselves, their wives and families, but who, by reason of a strike or otherwise, refuse to accept that work, are not entitled to relief, except that if they become physically incapable of work the Guardians may, to prevent their starving, give them temporary relief. . . .

"The wives and children of such men, however, are entitled to relief, though they themselves are not."

It is hardly necessary for us to say how strongly we sympathise with these *caveats*.

Now comes what is always the crux of State action —the matter of cost. We can only call the figures terrible:—

The amount raised by rates to meet Poor Law expenses in the year before the war was £12,060,000. *The amount so raised in the financial year* 1921–22 *is estimated at* £35,700,000.

The *Report* tries, so far as it can, to excuse this tripling of the cost by pointing out that it is in part

accounted for by the general increase in wages and prices. But, as we are sure was clear to the officials who penned the *Report*, this is in reality no excuse for this vast addition to the burden of the rates. Wages and prices did not increase to such an extent. Again, if the increase was due to the rise in all prices and wages, the cost should now be falling. But of this we see few if any signs.

The passage which deals with borrowings is unpleasant reading, in spite of the fact that it is quite clear that the Department knows how very soon the policy of borrowing and spending without thought for the morrow or the resources available may lead to local bankruptcy.

We shall end our attempt to put before the public some of the lessons of the *Report*, by quoting the following passage which deals with the voluntary agencies for relief and shows how what Dr. Chalmers called the fountains of true charity dry up under the blighting heat of official action:—

> The acute unemployment of the past year has led in a number of areas to the collection of considerable voluntary funds for the assistance of distressed persons of a class which has not ordinarily in the past resorted to the Poor Law. *It is much to be regretted that the effect of the adoption by the Guardians of what is known as a liberal policy has generally been to limit or even destroy this form of help.* This is the more unfortunate since in suitable cases there are opportunities for the giving of effective assistance

which is not within the legal powers of the Guardians, and further it remains true that to save an applicant from contact with poor relief is in the great majority of cases *to minimise the moral deterioration which in some degree is a necessary result of even a temporary loss of independence.* Nothing but harm can result from a competition of private charity with Poor Law relief, but on the principles laid down so long ago as 1869 in the memorandum published by the Poor Law Board over Mr. Goschen's signature, there is ample scope for both, working in co-operation and in their respective spheres. It may be pointed out that in one coal-mining Union (Basford) in which the Guardians have declined to depart from the provisions of the Relief Regulation Order, 1911, and the *Numbers in receipt of poor relief have remained practically constant throughout the year, distress has been prevented by voluntary funds and organisations largely managed and arranged by the unemployed persons themselves.* Similarly in the Redruth Union the expenditure of the Guardians in the relief of distress due to unemployment amounts to £5000, but a sum of no less than £40,000 has been expended from voluntary sources. But it cannot be expected that persons required to contribute heavily through the rates for the relief of distress will generally be willing also to assist voluntary funds which have the same end in view, and the voluntary schemes that have been initiated have as a rule come to an end with the extension of the Guardians' action.

People nowadays will not help even the Charity Organisation Society when they remember what they are paying in rates and taxes to relieve destitution, and have a strong impression that almost all expenditure on charity involves the waste of over-

lapping. No man will do for the State voluntarily what he knows he will also have to do under compulsion. I am far from saying that this is the whole case and do not want to condemn the principle that the State in the last resort is responsible for the welfare of its citizens. All I mean to say is that the principles which one of the greatest of humanitarians and philanthropists, Dr. Chalmers, laid down as to the moral injury involved by reckless State aid, and as to destitution being a moral rather than a physical evil, still retain their value.

But let us for a moment discount all talk of the merits on one side or the other and come to the hard facts. We are now distributing a vast sum of money every week and month in relief of all kinds. But a great deal of this expenditure never reaches the people it is intended to reach. It is lost in the sands of bureaucracy, as the old geographers used to tell us the Rhine was lost in the sands of Holland. But this inevitably leads to the question whether it would not be better, cheaper, and less demoralising to recognise fully what we are doing, and to pay out in weekly allowances of money plainly and simply the millions which now go with so much waste by the way in various forms, central and local, in relief of persons who are assumed to be unable to maintain a worthy standard of civilisation—we admit there is such a standard—without external and public help. Mr.

Geoffrey Drage has shown us that the amount of money spent per annum on the non-self-supporting population is equivalent to the substantial endowment of every family which can be regarded as a potential recipient. Of course, I admit that my argument is necessarily a *reductio ad absurdum*, because the people on the borderline, if they realised what was happening, would never agree to it; but, like most cases of the *reductio ad absurdum*, it is of great value.

And now comes a curious and sinister point. The bad type of capitalist in his heart, consciously or subconsciously, does not object to this system of relief. It keeps down wages and produces that pool of impoverished labour which he is inclined to think gives him a better opportunity than the high wages and pecuniary and moral independence that go with high wages when they are really earned and not imposed. Remember that the State doles now, as was shown in the case of the old Poor Law, are a State subsidy to supplement wages. That is perhaps the most important of the facts that show how hard it is to act contrary to the teachings of the science of exchange. The altering of values by law is about as easy a task as trying to compress water.

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